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World Business Newspaper THURSDAY NOVEMBER 9 1995 D8523A

Volvo shares fall after drop in car division's profits

Volvo shares dropped 4 per cent yesterday after Sweden's biggest manufacturer reported weaker-than-expected nine-month figures and a sharp decline in its car division's profits. The pre-tax profit of SKr10.77bn (\$1.8bn) was about SKr3500m below forecasts and 15 per cent down on last year's SKr12.7bn when hefty capital gains from disposals were included. The shares, down SKr6 to SKr140.5, were underpinned by lower operating profits at its car division and evidence of weaker truck demand in some markets. *Lex*, Page 16; Details, Page 18

Peso falls despite interest rate rise: Mexico's currency dropped to new lows against the dollar in spite of Tuesday's 10 percentage points rise in domestic interest rates. Page 16

Israel's security chief quits: The head of Israel's secret police protection unit resigned as the government appointed a commission of inquiry into how a Jewish gunman breached security to assassinate prime minister Yitzhak Rabin. Page 4

BA ordered to pay hostages: A French court ordered British Airways to pay a total of at least £3m (\$4.75m) damages to 61 French Gulf war hostages who accused the airline of knowing the Iraqi invasion of Kuwait had taken place before their aircraft landed there. BA plans to appeal. Page 3

Airbus Industrie: The European consortium, which is made up of British Aerospace, Aerospatiale of France, Germany's Daimler-Benz Aerospace, and Casa of Spain, wants board approval to build a bigger version of its A340 aircraft. Page 16

French bomb suspect charged: Rachid Ramda, 26, is due to appear in court in London today charged with conspiring to cause an explosion in France. Page 3; France puts tourism into economy class, Page 2

Nigeria confirms death sentences: On the eve of the Commonwealth summit, Nigeria confirmed death sentences on nine activists from the Ogoni minority area who were last week found guilty of alleged involvement in the murder of four leading local politicians. Page 4

Siemens: The German electronics group, raised net profits 26 per cent to DM2.08bn (\$1.49bn) for the year to end-September, after a strong turnaround in its electronic components division. Sales were up 5 per cent to DM8.5bn. Page 18

S Korean opposition attacks probe: South Korean opposition parties said the investigation of alleged contributions by business leaders to former president Roh Tae-woo's slush fund was meant to distract public attention from allegations that President Kim Young-sam (left) used money from the fund to finance his 1992 election campaign. President Kim has denied personally receiving funds from Mr Roh, but has refused to disclose the sources of his campaign finances. Page 9

NTT to shed 45,000 staff: Japan's partially privatised telecommunications company, Nippon Telegraph and Telephone, plans to cut its workforce by 45,000, nearly a quarter of its staff, in a move to deflect political pressure for a break-up. Page 16 and *Lex*

Brussels agrees German aid package: The European Commission approved a controversial German government aid package aimed at ending Dow Chemical of the US to buy the plant which was the centre of the former East Germany's chemical industry. Page 2

US barrier to shipbuilding subsidies: The US emerged as the main stumbling block to the early phasing out of state aid to shipbuilders worldwide. The delay is due to a backlog of legislation in Congress and a dispute between Republicans and Democrats over shipbuilding policy. Page 6; Editorial Comment, Page 15

News Corp earnings fall: Third-quarter earnings from media tycoon Rupert Murdoch's News Corporation fell 5 per cent to \$210m. Strong performance from television and newspapers was more than offset by weakness in films, magazines and book publishing. Page 21

Kicking their heels: Sweden's 60-strong anti-terrorist police force, set up a year ago, is threatened by boredom. Never deployed, its members are resigning or threatening to quit because they have too little to do, says a report.

STOCK MARKET INDICES			
New York	10,770	10,770	10,770
Dow Jones Ind. Av.	4,830.27	(-3.24)	
NASDAQ Composite	1,091.9	(-7.10)	
Europe and Far East			
UK	1,896.33	(-8.99)	
DAX	2,172.3	(-2.57)	
FTSE 100	3,557.1	(-14.7)	
Nikkei	17,953.29	(-157.55)	

US LONGTERM RATES			
Federal Funds	5.12%		
3-mth Treas. Bills	5.81%		
Long Bond	10.93%		
Yield	6.25%		

OTHER RATES			
UK 3-mo Interbank	6.12%	(-0.01%)	
US 10 yr Gilt	10.93%		
France 10 yr Gilt	10.93%		
Germany 10 yr Gilt	10.93%		
Japan 10 yr Gilt	10.93%		

NORTH SEA OIL (August)			
Brut 15-day (Dec)	\$16.53	(16.47)	
Crude oil			

Australia	10,770	10,770	10,770
Belgium	10,770	10,770	10,770
Canada	10,770	10,770	10,770
Denmark	10,770	10,770	10,770
France	10,770	10,770	10,770
Germany	10,770	10,770	10,770
Italy	10,770	10,770	10,770
Japan	10,770	10,770	10,770
UK	10,770	10,770	10,770
US	10,770	10,770	10,770

Likely relief for Clinton and Dole as retired general ends speculation

Powell turns down presidency bid for personal reasons

By Jurek Martin in Washington

Retired General Colin Powell yesterday ended months of political suspense by announcing that he had decided not to run for the US presidency in 1996.

"Having looked deep into my soul," the 57-year-old former head of the joint chiefs of staff told a news conference, he did not have "the passion and commitment" for politics that he had for his military career. "I still do not hear the call," he said.

Family considerations and his own desire for privacy had been factors. To run for president would require "sacrifice and changes to all our lives".

He also ruled out running as anybody's vice presidential candidate next year. "I understand the down and dirty of American politics - and that's the way it should be," he went on, "but it was just not appropriate for me at this time to seek the presidency."

His decision certainly removes a great threat to the candidacy of Senator Bob Dole, the majority leader, for the Republican party's

presidential nomination. It probably also comes as a relief to President Bill Clinton.

National public opinion polls have consistently shown the general was preferred to both. They also have Mr Clinton beating Mr Dole in a hypothetical straight contest. But Gen Powell's deliberations over the last two weeks following rapturous receptions on the national tour promoting his recently published autobiography, have centred on both personal and practical political considerations.

Mrs Alma Powell, his wife, had spoken publicly some weeks ago of the fears she had for her husband's safety should he become a presidential candidate. The assassination last Saturday of Mr Yitzhak Rabin, the Israeli prime minister, may have caused these concerns to come into sharper focus.

The prospect of a candidacy by Gen Powell, a self-described moderate in the "Rockefeller Republi-

can" mould, had also excited much opposition from the influential party rightwing, which rallied in Washington last week to promise a tough and divisive campaign should he decide to enter the race.

Other considerations included campaign finance and organisation. As a Republican candidate, Gen Powell would have needed to generate \$15m-\$20m in campaign funds for the primaries alone, no easy task when individual contributions are limited by law to \$1,000 per person.

Several veterans of earlier Republican administrations had offered their political services and Powell-for-president volunteer groups had been springing up all over the country.

But that still left Gen Powell with no real national organisation actually in place barely three months before the first state votes in Iowa and New Hampshire next February. A front-loaded primary season next year means that two-thirds of all delegates to the party convention will be selected by the end of March.



Colin Powell: ended months of national political suspense

Radical reform of EU ruled out by advisers

By Lionel Barber in Brussels

The high-level group of European Union experts preparing next year's inter-governmental conference has abandoned hope of recommending far-reaching institutional reforms. The move is a setback for Germany, which had hoped for big changes in EU decision-making to pave the way for enlargement to eastern Europe and a total membership of 25-30 countries. The panel of experts, called the Reflection Group, is expected to conclude that only modest changes to the Maastricht treaty are possible.

The panel's emerging consensus should provide some relief to Mr John Major, the British prime minister, who is under pressure from Eurosceptics in his Conservative party.

The cautious approach to the conference is being driven by worries about public opinion in the 15 member states and treaty ratification problems. It is also affected by unease about passing judgment on Maastricht, which has been operating for only two years, and uncertainty over whether European monetary union will go ahead in 1999.

Another factor is the argument put forward by France that since the EU will be restricted initially to a small group, it is sensible to delay radical political arrangements. If the EU does not take place, further pooling of sovereignty may not be necessary.

Some Reflection Group members expressed disappointment at the drift of discussions. "We are in a pre-Maastricht situation. Nothing is happening," said one. Another said an interim report by Mr Carlos Westendorp, the senior Spanish diplomat chairing the group, was "hollow". Mr Westendorp is to submit a draft of his final report to colleagues soon, and is said to be frustrated by the tight leash imposed by national governments.

Spanish officials point to several likely practical recommendations which will make the EU work more effectively: rearranging the weighting of votes between smaller and larger

Continued on Page 16

Yeltsin sacks governor of central bank

By John Thornhill in Moscow

President Boris Yeltsin yesterday sacked Mrs Tatiana Paramonova as acting head of Russia's central bank, raising doubts about the course of economic reform.

The departure of the internationally respected bank governor comes at a delicate time for Russia's economy. Parliament is continuing to wrangle over next year's budget and the government is pursuing discussions with the International Monetary Fund over a possible three-year loan of \$12bn-\$15bn.

Next month's parliamentary elections have only heightened the political sensitivities surrounding economic policy. Some bankers suggested Mrs Paramonova was being sacrificed ahead of the elections to show how Mr Yeltsin was responsive to parliament's concerns over her tight monetary policy.

Mr Yeltsin has been sharply critical of unpopular ministers, such as Mr Andrei Kozhev, the foreign minister whom parliament wants to remove. "This is a very disconcerting development



Tatiana Paramonova: an internationally respected bank governor

Departure raises doubts on economic reform ahead of elections to Russian parliament

bankers for pursuing a tight monetary policy since her appointment in October last year.

Under her guidance, the central bank restored much of its battered credibility and helped steer the economy to within striking distance of stabilisation. This year, the monthly inflation rate has fallen from 17.8 per cent in January to 4.8 per cent last month and - since July - the rouble has been held within a narrow exchange rate band.

But parliamentary deputies, heavily influenced by the aggressive banking lobby, remained opposed to her confirmation as permanent head and twice voted against her nomination. That left Mr Yeltsin with the option of persevering with a weakened Mrs Paramonova as acting head or seeking a new candidate.

The timing of yesterday's announcement raised questions over who helped Mr Yeltsin make

the decision. Since a heart attack put him in hospital last month, Mr Yeltsin has met only a handful of government advisers and ministers, few of whom have any connection with economic policy.

Mr Alexander Khandryev was appointed as acting governor until a permanent replacement could be found. Currently the bank's first deputy chairman, Mr Khandryev is a long-serving bank official but has a mixed reputation in financial circles because of his close association with Mr Victor Gerashchenko,

the discredited bank governor who resigned in October 1994.

Mr Alexander Pochinok, deputy chairman of the parliamentary budget committee, described Mr Khandryev as a "monetarist" and predicted no change of policy. Likely candidates to replace Mrs Paramonova include Mr Sergei Dubinin, the former finance minister who now works at Gazprom, the gas producer, and Mr Alexander Livshits, a presidential economic aide.

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Glaxo overhauls R&D to focus on commercial potential

By Clive Cookson, Science Editor

Glaxo Wellcome, the world's largest drugs company, yesterday announced a far-reaching overhaul of its research and development, aimed at tripling productivity from that area.

The target is to bring to market three financially important new medicines a year from 2000. In the past decade Glaxo and Wellcome, the two UK companies that merged last spring, have managed an average of just over one new drug a year between them.

The new R&D structure - the final and most important element of the "integration" process that started in March when Glaxo succeeded in its \$29bn bid for Wellcome - is a more radical change than many observers had expected.

Glaxo Wellcome has reviewed all 180 development projects in the two companies and scrapped almost 70 that did not meet its

criteria which included satisfying a medical need or carrying sufficient commercial potential.

It has also created a new structure for carrying out R&D that is quite different from either Glaxo's or Wellcome's before the takeover.

"We saw the integration as an opportunity to change fundamentally the R&D organisation and process," said Dr James Nield,

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Lex... Page 16
Starting up from scratch... Page 21

the R&D director. The new organisation is worldwide and also flatter, with the six to eight layers of management typical in the old companies cut to an average of four. Commercial managers will help to decide on research policies, which have been carried out in isolation from the sales and marketing departments. Glaxo Wellcome's combined

R&D staff has been cut from 11,500 to 9,700 worldwide, but fears that the company would slash its R&D budget in the drive for cost savings turned out to be unfounded.

Dr Nield said research and development spending would be held steady this year and next at about £1.2bn (\$1.9bn) a year. The company is investing heavily in robotics and automation as it cuts staff. It is also spending less money on its own R&D facilities and more on external collaborations with universities and small biotechnology companies.

Long-term research will continue in all the main fields that were being pursued by Glaxo or Wellcome. The brain and nervous system, anti-virals, heart disease and stroke, cancer, and respiratory disorders feature heavily in the programme.

"We see ourselves unabashedly as a science-based, R&D-driven company," Dr Nield said.

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NEWS: EUROPE

US-Russian deal on Bosnia troops

By Bernard Gray,
Defence Correspondent

The US and Russia have agreed that Russian troops will participate in the peacekeeping force for Bosnia, but will not be under Nato control.

The agreement resolves weeks of diplomatic wrangling. Moscow has argued that its troops cannot come under Nato control, while the alliance has insisted on having full command of the operation.

It has now been decided that the general leading Russia's peacekeeping contingent will come under the command of General George Joulwan in his role as ranking US commander in Europe,

rather than in his role as supreme commander of Nato forces.

The agreement has thus reached the surprising result that Russia would rather have its forces commanded by a US general than a Nato chief. The accord followed a meeting between Mr William Perry, the US defence secretary, and General Pavel Grachev, his Russian counterpart, at Nato headquarters in Brussels yesterday.

Details of how the troops are to be integrated remain to be worked out, as does the issue of how political control of the force will be handled. Mr Perry and Gen Grachev are scheduled to meet again in two weeks to discuss these issues. Speaking after the meet-

ing, Gen Grachev said that "all Russian conditions have been met. Our forces will contribute, but Russian forces will not come under Nato command". He acknowledged, however, that a Russian general would serve as a deputy to General Joulwan, "through whom orders to Russian troops will be given".

Emphasising the fine line which has been drawn, Mr Perry said that "this preserves the unity of the command, but does not require Russian forces to be under Nato command".

No details were given of the number of Russian troops which would be committed to Bosnia. A significant Russian involvement has been seen as impor-

tant to securing the co-operation of the Bosnian Serbs in the implementation of any peace agreement.

Nato's insistence on having complete control of any Bosnian peacekeeping force follows the difficulties with the cumbersome UN command structure which has often made the existing force slow to react and ineffective.

However, Russia has been deeply concerned about the proposed expansion of Nato into central and eastern Europe. As a result, Moscow has been at pains to avoid the political embarrassment of its soldiers being commanded by a former enemy which seems to be encroaching on traditional Russian territory.

'Job killer' tax remains Bonn burden

By Peter Norman in Bonn

To Mr Theo Waigel, the Bonn finance minister, Germany's trading capital tax is a "fossil" and a "job killer" that should be scrapped as soon as possible.

But this week he had to bury his hopes of killing off the levy at the beginning of next year and was forced to postpone its abolition until 1997 at the earliest.

Mr Waigel's retreat was not connected with the parlous state of the German government's finances or the need to plug gaps in the budget for next year. Instead, his plan for an early scrapping of the unpopular tax became ensnared in the complexities of Germany's federal system, where the federal states, local authorities and the opposition Social Democrats (SPD) - by virtue of their party's control of the Bundesrat, Germany's second chamber - all have a say in tax policy.

The trading capital tax exists only in Germany and Luxembourg and is levied on a company's value even when it makes a loss. Its abolition has been high on the wish-list of business lobbies for many years. It costs businesses DM6.6bn (\$4.9bn) a year, according to the DIHT, the umbrella organisation of the German chambers of industry and commerce.

It is true that its abolition would save companies only half that amount because the

rise in corporate profits triggered by the elimination of the tax would cause other taxes to increase. But in recent weeks, the tax has come to symbolise the heavy burden of taxes and other levies placed on German industry and commerce.

For business leaders such as Mr Franz Schöser, the chief executive of the DIHT, the government's inability to remove the tax in the coming months is a sign that its rhetoric about improving Germany as a place to do business lacks substance.

Mr Waigel's hopes this week were dashed by the SPD, which argued that the trading capital tax was paid by only 16 per cent of companies and that a better way of easing the costs imposed on businesses would be to reduce social security payments, making up for these by an increase in energy taxes.

The finance minister rejected this approach, partly because the subject of making the tax system meet ecological objectives is still one of heated debate within the centre-right coalition in Bonn.

But even if the SPD had been more co-operative, it is unlikely that the tax could have been scrapped this year. Some 90 per cent of its revenues accrue to local authorities and, according to Mr Jochem Diekmann, the general manager of association of German cities, the necessary legislation would have been "much too complex" to be completed in time for 1996.

It has been proposed that the



Chancellor Helmut Kohl reacting to a speech during the budget debate in the Bundestag in Bonn yesterday

Germans close to accord on telecom rules

By Michael Lindemann in Bonn

The German government and the opposition Social Democrats (SPD) were last night expected to resolve their remaining differences about a liberalised telecoms market after 1998, ending weeks of talks during which the SPD has given way on a series of questions including regulation and licensing.

Agreement would enable the two sides to present a new law, which is being reviewed by ministries, to parliament together in January, ensuring a quicker passage of the legislation.

The government wants the legislation to clear parliament by next July, then plans to award licences so that companies can prepare for full-scale liberalisation in the world's third biggest telecoms market early in 1998.

The SPD has given way to government proposals that Deutsche Telekom, the current monopolist, be subject to stricter regulation based on models used in the UK and other liberalised telecoms markets.

The opposition has also agreed to allow new operators first refusal of licences for Digital European Cordless Telephony or DECT, a new technology which enables operators to bridge the gap between households and the telephone network buried in the street outside. Initially only three DECT licences are likely to be available. Deutsche Telekom has insisted on equal access to new technologies such as DECT and had hoped the SPD would close its interests because of close links between the party and the company's unionised work force.

It has also been agreed that Deutsche Telekom's new competitors will be allowed to apply to provide services just for one city or nationwide.

Talks were going on last night on how soon those seeking nationwide licences would have to offer nationwide coverage. The SPD has suggested that the companies wanting to provide telecoms services - such as electricity utilities - should have to provide nationwide coverage after four years of liberalisation.

Mr Arne Börsen, an SPD telecoms specialist, said no figure had been decided to define a dominant market share for Deutsche Telekom but his party wants the future regulator to review the telecom market every four years to decide whether rule changes are needed.

local authorities should be compensated for revenue losses by being given a share from value added tax. But this will in turn require negotiations between the federal government, the state authorities and the representatives of the municipalities.

If the trading capital tax were an isolated case, there would be less concern about this week's postponement. But it is just the first of a series of

tax changes that Mr Waigel wants to make, many of which are intended to ease the burden on business and so encourage investment and employment.

In this week's Bundestag debate on the 1996 federal budget, Mr Waigel said that the wealth tax should be scrapped. But as the revenues from wealth tax accrue to the federal states, nobody is banking on a rapid decision.

The law could be drafted in such a way that the inner cities of the former east Germany continue to be unattractive to investors.

They have poor infrastructure and are saddled with thousands of outstanding property rights claims - only about half of the 2.5m claims on 2.1m properties in eastern Germany have been solved.

Strong preservation organisations are also active in the cities, insisting that new shops and businesses be designed to fit in with centuries-old architecture and buildings.

Furthermore, the lack of retailing investment had deprived east German cities of sales tax revenues, which could have been used to improve the infrastructure or reduce their deficits.

East Germany's local authorities' deficits last year totalled DM23bn (\$16.3bn).

Employers doubt EU forecasts of growth

By Caroline Southey
in Brussels

Europe's employers' federation, Unice, has cast doubt on the EU Commission's optimistic forecasts for economic growth and cuts in unemployment and predicts slower economic expansion next year.

In its bi-annual economic report, Unice implicitly criticises the EU Commission's analysis that, under certain conditions including sustained 3.5 per cent economic growth, the EU's 10.7 per cent jobless rate can be halved by the year 2000.

"Unice, unlike certain European institutions, takes a more qualified view of the prospects for sustainable and employment-creating growth," it says; the economic recovery during 1995 may yet turn out to be "short-lived, weak and fragile".

A pause or slowdown in economic growth in most member states is "making it hard to

reduce unemployment, which is stagnating at high levels". Unice predicts a "moderation" of economic growth in the EU next year, due to weak private consumption and weaker private investment growth.

This year growth is likely to average 2.5-3 per cent, near the level recorded in 1994.

"If we have 2 per cent growth it will not make much impact on the high levels of unemployment," Mr Zygmunt Tyszkiewicz, Unice's secretary-general, said. Unice had "never been happy" about putting targets on job creation.

The report says EU employment growth has been lower than forecast. Despite economic growth, unemployment reduction has been limited, highlighting the need for more labour market flexibility, a cut in non-wage labour costs and improved training.

The ratio of business investment as a percentage of GDP is "still below the last cyclical peak of 1989-1990", which

should "temper the Commission's over-optimistic vision". The Commission's assertion that evidence is growing of reforms to social security systems and labour markets is contested.

"Evidence of structural changes is thin. There is a real need for more flexibility in the market in general and the labour market in particular," Mr Tyszkiewicz said. The report calls on member states to keep restrictive budgetary policies in line with criteria for entry into the European monetary union. They should target spending on public and social security protection, while trimming public sectors.

Unemployment benefit systems should be overhauled "to encourage re-integration and transition to work"; tax reforms should aim to cut non-wage labour costs. The evidence so far, the report says, is that the 1996 draft budgets already presented by some states "seem insufficient".

Reshuffled French cabinet sets priorities

Chirac stresses welfare reform in deficits drive

By John Ridding in Paris

France's new government yesterday set out a tough stance on tackling the country's deficits, emphasising the need for spending cuts to eliminate the FF60bn (\$12.3bn) shortfall in the social security accounts.

Addressing the first meeting of the new cabinet after Tuesday's government reshuffle, President Jacques Chirac said cutting France's deficits was at the centre of the battle against unemployment.

"One cannot fight unemployment, which is the main objective, if one doesn't fight seriously against deficits and debts," said the Gaullist president.

Mr Jacques Barrot, who was appointed as minister for social affairs in the reshuffle, pledged structural reforms to the state welfare system.

"If we just increased contributions to fill in the holes then we would not get anywhere," Mr Barrot said.

The social affairs minister added that the government of Prime Minister Alain Juppé

would consider implementing reforms through decrees, a step which would speed the process and ease the passage of unpopular measures.

Trade unions have expressed opposition to welfare reforms, calling a day of action next week to coincide with the social security debate in the National Assembly.

The government is seeking to enact measures to take effect from the beginning of next year with the aim of satisfying the Maastricht criteria for European monetary union.

These criteria require that public deficits are a maximum of 3 per cent of GDP, compared with about 5 per cent forecast for France this year.

Union leaders gave a measured response to the new cabinet and the creation of an enlarged social welfare ministry covering labour, health and pensions.

Mr Marc Blondel, head of Force Ouvrière, one of France's biggest unions, said he was satisfied with the creation of a single ministry. Although Mr Barrot emphasised the need for

spending cuts to balance the social security accounts, the government appears to be leaning towards a rise in the CSG, an income tax, to finance accumulated deficits in the welfare system. The increase may take the form of a broadening of the scope of the tax and/or a rise in its rate.

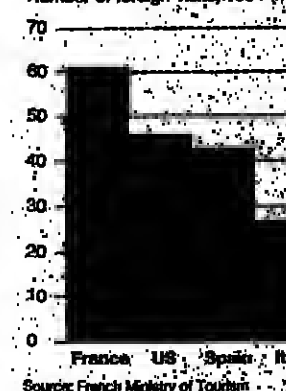
The balance between spending cuts and increased taxes in the welfare measures due to be unveiled next week is regarded as vital in determining the pace of interest rate cuts.

The Bank of France, which has welcomed Mr Chirac's strengthened emphasis on deficit reduction, yesterday steered call money rates lower, fueling expectations it might take a further step in cutting official interest rates as early as today.

Lower interest rates are needed to stimulate France's slowing economy. But Mr Alain Lamassourie, the newly appointed government spokesman and budget minister, said yesterday that future cuts would depend on building confidence among domestic and international investors.

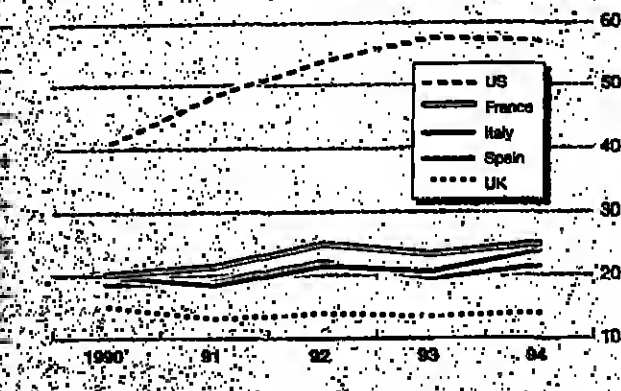
French tourism under threat

Number of foreign visits, 1994 (m)



Source: French Ministry of Tourism

Amounts spent by foreign visitors (\$bn)



France puts tourism into economy class

By Andrew Jack in Paris

France's tourism industry, already burdened by the impact of President Jacques Chirac's decision to relaunch nuclear testing in the South Pacific and the bombing campaign associated with the crisis in Algeria, has been further weakened by the cabinet reshuffle on Tuesday.

Members of the industry have long been worried that France's standing as the world's most popular tourist destination is in jeopardy. While the global market for tourism continues to grow rapidly, France has seen the number of holiday-makers remain unchanged for three years.

But rather than boosting its efforts, the government of Mr Alain Juppé has decided to subsume the tourism ministry into one encompassing infrastructure, housing and transport. And it is almost certain that the money allocated to it will be cut.

Out of office goes Ms Françoise de Panafieu, former cultural affairs assistant to Mr Chirac in his role as mayor of Paris, who was rewarded after his victory in the presidential campaign with her own ministry of tourism.

As recently as Monday she evaded the sharpened knives of deputies in the National Assembly, who are seeking FF22bn (\$4.10m) in public expenditure cuts for the 1996 budget and had been eyeing her allocation of FF363.2m.

Officials stress the decision to remove Ms de Panafieu had little to do with her abilities

The number of tourists visiting French territories in the South Pacific fell by nearly 8 per cent this year after President Jacques Chirac's controversial decision to restart nuclear testing, writes Andrew Jack. Ms Françoise de Panafieu, the former minister of tourism who lost her job in a government reshuffle on Tuesday, said the number of visitors had fallen by about 15,000, largely because of anti-nuclear boycotts by Japanese and Australians.

and more to do with a need to streamline the operations of government. This has happened at a time when tourism has been hit by the strength of the franc, particularly when other European countries are still suffering the effects of the economic downturn.

In addition, because of the terrorist campaign there has been a "slight" reduction in the number of tourists - particularly from Germany and the US - coming to France.

France remains the world's leading tourist destination, according to figures from the Organisation for Economic Co-operation and Development (see chart above). Tourists from other countries spent \$26bn in France in 1994, but it remained in second place on this score behind the US, where they spent \$57bn.

This is partly explained by the fact that most visits to France are of short duration, with most tourists coming from neighbouring European countries - notably Germany,

the UK, Belgium and the Netherlands - in many cases for just a few days.

Until now, France's positive trade balance has been helped by the traditional reluctance of French citizens to travel abroad. Four out of five of them had their holiday in France this year.

In many ways, tourism remains a bright spot in the economy. Last year, there was a net surplus from tourism of about FF600m, and the sector contributed some 9.1 per cent to gross domestic product, provided 2m jobs and supported about 200,000 companies.

France received 61.4m tourist trips in 1994 compared with 46.4m for the US, its nearest rival, and 43.2m for Spain.

But being a world leader has brought with it complacency. As Ms de Panafieu put it, even before she lost her job: "A decade ago France did a lot of promotion abroad. Since then it has rested on its laurels. If the situation continues, we will be surpassed by Spain and the US."

One of the things Ms de Panafieu did was to launch the "Bonjour" campaign, to improve friendliness and helpfulness for visitors, starting with training taxi drivers.

"We are almost perfect in France, but we have a few faults," she said.

"We are not renowned for being welcoming. France is considered the most beautiful country, but it is not adequately selling itself. Even the most attractive girl needs a bit of make-up to seduce," she said.

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EUROPEAN NEWS DIGEST

French order
BA to pay up

A French court yesterday ordered British Airways to pay compensation to 61 passengers who were held hostage in Kuwait after a BA aircraft landed there shortly after the Iraqi invasion in 1990. The court ruled that each passenger should receive between FF400,000 (\$82,000) and FF600,000 (\$123,000), depending on how much time they spent in captivity in Kuwait. The airline was also ordered to pay FF80,000 to each close relative of the former hostages. BA described the decision as "extraordinary" and said it would file an appeal today.

The court ruled that BA was liable because "the invasion of Kuwait by Iraq seemed highly predictable" and the airline had "seriously failed in its duties" by landing in Kuwait. Judge Pierre Renard-Payen said the truth of the allegation by passengers that SAS troops were on the aircraft "could not be legally established". However, citing several international newspaper articles from the time, he said that reports of the situation in the Gulf had been "particularly alarming".

The 61 passengers, who are French or residents of France, were among 364 people on the flight. Similar actions against the airline have failed in the English, Scottish and US courts. *Michael Stapiniker, London, and Andrew Jack, Paris*

Brussels move on satellites

The European Commission is proposing a harmonised EU-wide licensing regime for the range of satellite systems being developed in the personal mobile telecommunications industry, it said yesterday. The intention is to ensure that use of the European radio frequency spectrum fits in with that elsewhere in the world, such as the US, where such licences have already been issued. "A European approach for licensing is urgently needed in order to use the limited frequency resource most efficiently and to strengthen the combined European position on this matter," it said.

A Commission spokesman said member states had already been consulted and favoured an EU-wide system managed by Brussels which could be set up by mid-1996. The Commission hopes that over a three-year period it can select satellite and satellite link operators, set common conditions for issuing licences, and establish a dialogue with regulators outside the EU. *AFT, Brussels*

Ruling imminent on Schneiders

The long-delayed extradition hearing for German property magnate Mr Jürgen Schneider and his wife Claudia opened in Miami yesterday. Mr Schneider and his wife are being sought by German authorities in connection with the biggest property collapse in post-war German history. In testimony before Judge William Turnoff, defence witness argued that none of the charges brought by the German authorities would meet the standard for prosecution in a US court. Under the extradition treaty between the US and Germany it must be shown that the crimes the Schneiders are alleged to have committed in Germany would be crimes in the US.

The Schneiders' defence lawyer, Mr Michael Lacher, argued in an opening statement that the documents presented in support of the extradition request were incomplete and that the lack of these documents cast "grave doubt" about German compliance with the extradition treaty. However, Judge Turnoff ruled that the German documents had met the requirements of the treaty. A ruling on the extradition request is expected shortly after the hearing concludes early this morning. *Henry Hamman, Miami*

Spain overhauls penal code

The Spanish parliament yesterday passed a new penal code, the most thorough overhaul of the country's criminal justice laws for more than a century. The "code of democracy" considered the most important step in updating Spain's legal system since the post-Franco constitution of 1978, received support from all parties in the Congress except the conservative Popular party, which abstained.

For Mr Felipe González's limping Socialist government, introduction of the new code was a crucial chance to demonstrate its capacity to continue governing despite the loss of solid parliamentary allies and its embarrassing defeat last month over the 1996 budget.

Newly included in the code, which is the fruit of years of negotiation among political parties, are tighter measures against corruption and money-laundering and offences such as sexual harassment and environmental crimes. The code also sets a new scale of sentences - in most circumstances up to 20 years in jail - equivalent to the maximum time currently served in practice. Provisions are made for replacing short sentences with fines, weekends in prison, and community service. Socialist spokesmen rejected claims by the Popular party that the measures would mean letting out 13,000 inmates, and put the likely number of releases at closer to 2,000. *David White, Madrid*

Hungary to free forint

The Hungarian parliament has passed legislation which will make the forint fully convertible for current account transactions from January 1. The move is a condition for membership of the Organisation of Economic Co-operation and Development, which Hungary hopes to join by the middle of next year. The Czech Republic is expected to be the first former east bloc country to join the OECD, which groups the world's industrialised nations.

The new legislation greatly liberalises the foreign exchange regime, enabling both Hungarians and foreigners to exchange forints for foreign currencies for any current account transactions. However, several restrictions still remain. Hungarians, for example, will still be limited to the exchange of 600 a year for tourism abroad, but for the first time will be able to use forint-denominated credit cards when travelling overseas. Some cross-border financial transactions, such as the purchase of securities except equities, will still require central bank approval. This is to prevent the country from being flooded by speculative capital, which could be withdrawn at short notice, undermining confidence in the country. *Virginia Marsh, Budapest*

ECONOMIC WATCH

Danish interest rates fall

Denmark

Discount rate %

12

10

8

6

4

1993 94 95

Source: FT Intel

Denmark's central bank yesterday reduced its official discount rate from 5 per cent to 4.75 with effect from today. It is the first time since 1969 that the rate has fallen below 5 per cent. The bank said it had acted against the background of a stable krone exchange rate and a European tendency towards lower interest rates. Mrs Marianne Jelved, economy minister, hailed the cut as a very satisfactory development. The repo rate will also be reduced to 5.15 from 5.3 per cent from today, and the rate for certificates of deposit by a similar amount from tomorrow. The krone has strengthened gradually to 3.87 against the D-Mark from 3.9 in midsummer and 4.054 after currency turbulence in March. It is now back to its level before the collapse of the exchange rate mechanism in August 1993. *Elly Barnes, Copenhagen*

German M3 money supply grew at an annualised rate of 1.6 per cent in September and at a non-annualised rate of 1.3 per cent from the fourth quarter of 1994, the Bundesbank said. Provisional September figures released last month had shown 1.5 per cent and 1.3 per cent respectively.

Duisenberg forecasts adoption of money supply targets and minimum reserves for commercial banks

Dutch push German line on Emu policy

By Andrew Fisher in Frankfurt

Monetary policy in the planned European monetary union is likely to follow the German model closely in order to help bolster Emu's credibility, according to Mr Wim Duisenberg, president of the Dutch central bank.

This would be especially important in helping convince people in Germany - where polls have shown widespread opposition to giving up the D-Mark - of the strength of the proposed new Euro-currency, he said.

Adopting money supply tar-

gets and monetary instruments similar to those in Germany would be necessary for the credibility of the planned European central bank, he told journalists this week.

His comments are likely to please the Bundesbank, but disappoint those, such as the British, who favour inflation rate targeting.

He thought it "very probable" that money supply targets would be used and "very very probable" that minimum reserves (requiring commercial banks to deposit a portion of their funds with the central bank) would be part of a Euro-

pean monetary system. The same would apply to Lombard and discount rates, which set upper and lower limits for German money market rates and form a key element in the Bundesbank's stability-oriented policies.

Mr Duisenberg was speaking after a meeting of the council of the European Monetary Institute, forerunner of a European central bank. He said the EMI's recommendations on how Emu should be introduced and on the transitional arrangements for the new currency would be announced in Frankfurt next Tuesday.

At the start of Emu, money market transactions between national central banks and commercial banks would be in the new Euro-currency, he said. "But private banks cannot suddenly switch their whole accounting systems to the new currency."

Thus, central banks would initially provide conversion facilities, so that some banks could still carry on normal dealings in the national currency while refinancing transactions with central banks would be in the Euro-currency. This would last, about three years until new notes and

coins were introduced to the public around 2002.

Mr Duisenberg argued against a delay in the Emu starting date of 1999 laid down in the Maastricht treaty. "If you postpone it, you reduce the pressure for convergence," he said.

The treaty prescribes debt, budget deficit, inflation and other criteria for Emu membership. Acknowledging that Italy was unlikely to meet all of these and that France would have difficulty on the budget side, he said: "It can start without Italy, but I don't believe it can without France."

This sentiment was echoed in Bonn yesterday by Chancellor Helmut Kohl, who told parliament that launching a single currency without France would be impossible.

Mr Duisenberg said Emu was likely to consist initially of Germany, France, the Netherlands, Belgium, Luxembourg and Austria. Noting that the treaty allowed a country to be assessed as meeting the criteria if its economic performance was moving consistently in the right direction, he said France should be able to join by "a political judgment".

Aid for east German chemicals plant approved

By Emma Tucker in Brussels and Judy Dempsey in Berlin

A controversial German government aid package designed to entice Dow Chemical of the US to buy the plant which was the centre of the former east German chemical industry was yesterday approved by the European Commission.

Brussels lifted objections to state aid worth DM5.5bn

(\$6.83bn) to the Buna group,

arguing that the aid would return the company to viability through extensive restructuring. The aid to the former east German chemicals plant - amounting to DM3m per job - is the biggest subsidy ever granted to a German enterprise.

Mr Rüdiger Hoppner, state premier of Saxony-Anhalt where the group's Buna, Leuna and Böhlen giant chemicals complex is located, yesterday welcomed the deci-

sion by the Commission. "Buna now has a future," said Mr Hoppner, whose ministers lobbied Brussels and the German finance ministry to push through the subsidies. The Buna complex was the centre of the east German chemical industry before unification in 1990.

Aid was granted on condition that the company would secure 2,000 jobs in Buna and contribute to main-

tening and even creating employment in the region in related activities. It pointed out that several other local companies depend on the complex. Until 1989, more than 25,000 were employed at the complex.

● A scheduled investment of DM212m for a particular plant had to be excluded from the restructuring plan.

● The Commission argued that it would secure 2,000 jobs in Buna and contribute to main-

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● A scheduled investment of DM212m for a particular plant had to be excluded from the restructuring plan.

European telecoms company, and Telefonica de España.

But Brussels' competition authority said they would continue to scrutinise the deal to ensure it did not harm competition. Unisource is jointly owned by PTT Telecom of the Netherlands, Swiss Telecom Ptt and Sweden's Telia AB. Under the proposed joint venture Telefonica will be the fourth partner in Unisource International, a recently created joint venture.

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NEWS: THE AMERICAS

Dole regains title of the man most likely to

Jurek Martin on the outlook for the Republican presidential nomination

Senator Bob Dole cannot have had many better political days than he did yesterday. The Republican majority leader may still face an uphill run for the presidency, but at least his party's nomination for the main event now looks more assured than it has for weeks.

His morning appearance in Manchester, New Hampshire, to receive the endorsement of Governor Steve Merrill was good enough news in itself. It should reverse his slide in the polls in the state, which holds the first presidential primary in February next year.

But that paled into insignificance when it became clear that the man most responsible for the erosion in Mr Dole's standing - retired General Colin Powell - would not enter the race for the White House.

The reasons Gen Powell were due to put forward later in the afternoon might take some of the gloss off Mr Dole's satisfaction. It was possible he would make critical remarks about Republican ultra-conservatives that would take him out of consideration as a possible unifying running mate for Mr Dole. But, for the moment, it leaves the Republican race where it was before the Powell tidal waves started washing

across the country - with Mr Dole the clear front-runner, well ahead of nine other candidates, none of whom has broken out of the pack seriously to cut into his lead.

Others have had their brief moments in the sun. Senator Phil Gramm of Texas tied with Mr Dole in a summer straw poll of Iowa Republicans and won a similar exercise in Maine last weekend, but these were dominated by conservative activists.

But Mr Gramm's abrasive personality still grates on most who hear him. He also forfeited a good chance of winning Mr Merrill's endorsement by trying to push Arizona ahead of New Hampshire in the primary calendar. Mr Dole's refusal to join in a similar effort for Delaware received its reward yesterday.

Of the others, Mr Lamar Alexander, former governor of Tennessee, plugs away without much impact in the polls. Heavy advertising in favour of a flat rate of income tax by Mr Steve Forbes, the wealthy magazine publisher, may be making some waves in low-tax New Hampshire but fewer elsewhere. Mr Pat Buchanan is sounding more like an independent candidate and could have bolted the party if Gen Powell

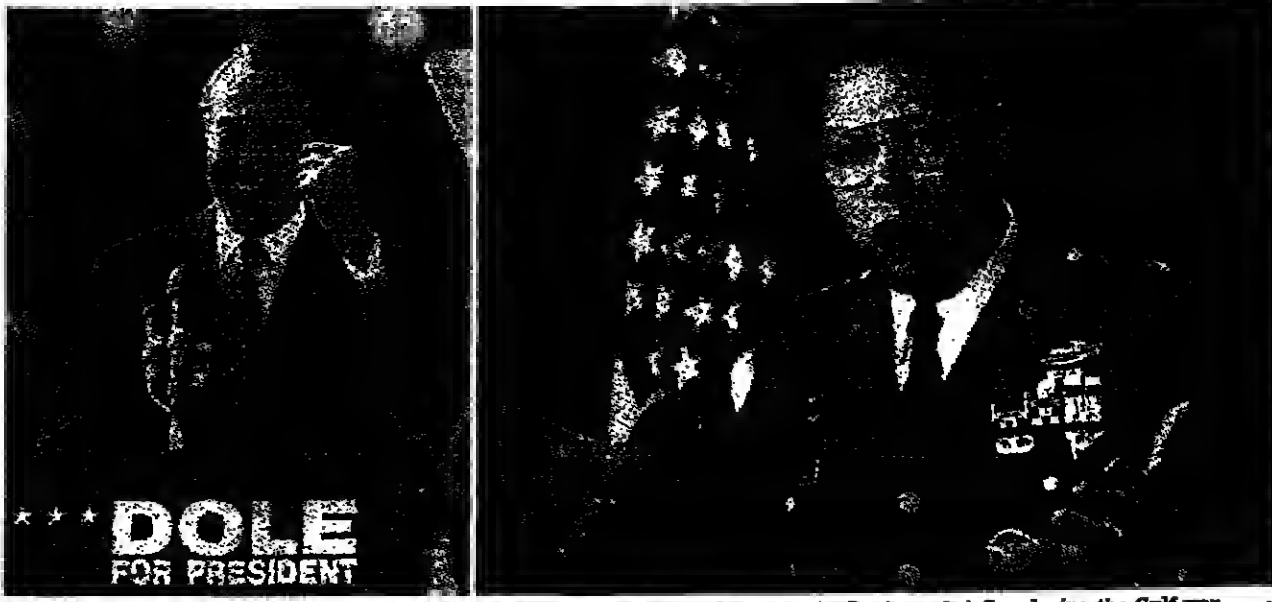
were the nominee. He may still do so.

There is one potential party cloud on Mr Dole's horizon in the person of Congressman Newt Gingrich, the Speaker. He has said all along that he would make no move on his own before Gen Powell made his decision.

There are plenty of people in the Speaker's conservative salons who will now urge him to get into the contest so as to preserve the 1994 conservative "revolution" of which Mr Dole, his moves to the right notwithstanding, is considered only a qualified supporter.

Mrs Arianna Stassinopoulos Huffington, wife of last year's failed, California senate candidate, is merely one "celebrity" who makes this argument frequently in print and on the air.

But Mr Gingrich freely admits few politicians attract the negative ratings he commands. 50 per cent and upwards in two recent national polls. This reflects dislike not only of his policies but of his rhetoric, still prone to lapse too often into the extreme. He also woke up yesterday morning to new evidence from the off-year elections that his revolution is playing much less well in the heartland than in Washington, DC.



Dole, left, announcing his candidacy in April, and Powell, catching the nation's eye at a Pentagon briefing during the Gulf war

The results may have been too scattered to be decisive but they could serve as a warning. So may the next few weeks in Congress, as Mr Gingrich leads the Republican charge in trying to bend President Bill Clinton to his budgetary will. The problem is that the Speaker seems either unwilling or unable to keep his ardent young House conservatives in check as they seek to impose ever more radical social conditions on the budget and an extension of the debt ceiling.

All the Republican cacophony over Gen Powell has not been matched on the Demo-

cratic side, once it became clear early on that he would not challenge Mr Clinton in the Democratic primaries and was unlikely to take a quixotic chance and run as an independent.

But the White House can read the polls as well as anyone and all have showed that Gen Powell would prove a far more potent Republican challenger to the president than Mr Dole. The fact that he is not going to bid for the nomination, which the polls also say he would have won, thus comes as an unqualified relief.

A residual concern before

Gen Powell ruled himself out would have been a Dole-Powell ticket, which looked good on paper. But such was the hostility to both men on the part of much of the Republican right that the party could have been splintered, with some following the likes of Mr Buchanan and others supporting whatever Mr Ross Perot's fledgling party amounts to.

The 1992 election, in which Mr Clinton won only 43 per cent of the popular vote, but scored a 2-1 majority in the electoral college, showed the degree to which he benefited from a strong third candidate,

in that case Mr Perot. That calculation has not changed. It remains easier for him to carry a state - and all its electoral college votes - if the field is crowded on the right.

Of course, the unknown factor is the mood of the country. The one constant throughout the 1990s is the sense of dissatisfaction with the quality of candidates on offer and with the two main political parties. This explains why Gen Powell, seen as a man of integrity, independence and moderation, was so appealing. But the attraction did not extend to the man himself.

Cardoso camp eyes a second term

By Angus Foster in São Paulo

Ministers close to Brazil's President Fernando Henrique Cardoso are raising the possibility of changing the constitution to allow his re-election at the end of his four-year mandate in 1998.

However, the proposal is controversial and may complicate Mr Cardoso's negotiations with Congress on other reform proposals, as well as inspire criticism from other presidential hopefuls.

Mr Sérgio Motta, communications minister and one of Mr Cardoso's most trusted advisers, raised the matter this week, saying "this is the right moment" to discuss it. Mr Cardoso has refused to be drawn, saying it is a matter for Congress to decide. But he is widely thought to be keen to seek another term.

Brazil's constitution restricts the president, state governors and mayors from seeking re-election to consecutive four-year terms. But a constitutional amendment allowing re-election has been proposed in Congress by a member of Mr Cardoso's ruling alliance, and could be given a floor vote later this year.

Mr Cardoso's advisers want to secure his re-election chances while his popularity remains high, and before next year's municipal elections. Up to 100 congressmen are expected to dispute those elections, and will be opposed to any changes which would let incumbent mayors remain in office.

If the re-election amendment is not approved shortly, it will probably have to wait until 1997, when approval would be complicated by preparations for the presidential and gubernatorial elections in 1998.

Mr Luís Inácio Lula da Silva, Mr Cardoso's main rival in last year's presidential race, said that he supported the re-election proposal, but that present mandate holders should be excluded.

Mr Antônio Carlos Magalhães, a powerful northern senator whose son is also a potential presidential candidate, said he feared raising the re-election question at this stage could damage the government's reform proposals.

Mr Cardoso has sent important measures on tax, social security and budget reform to Congress. Some analysts are worried that Mr Cardoso may water down some of these proposals in return for approval for the re-election amendment.

Republicans fail to shine in country-wide off-year elections

By Jurek Martin in Washington

The Republican handwagon may still be rolling in Washington but it looked distinctly wobbly in off-year elections across the country on Tuesday.

Mr Kirk Fordice, the Republican incumbent, held on to the governorship of Mississippi, but the party failed in its two prime targets, control of the Virginia assembly and the governorship of Kentucky, and lost a handful of seats in other state elections.

In Virginia, the Democrats preserved their 52-47 majority in the house of delegates and lost two seats to end in a 20-20 tie in the state senate. But they retain control because the deciding vote in that chamber is cast by Lt Gov Donald Beyer, who is a Democrat.

The state's geographical divisions were sharply underlined. The rural southern parts of the state saw some Republican gains, including the defeat of the senate's majority leader. But the prime

battlefield in next year's nationwide elections is more likely to be the suburbs than the countryside.

The results were instantly seen as a substantial defeat for Virginia's Republican Governor George Allen, who had staked the future of his conservative revolution on the party winning both chambers for the first time since the aftermath of the civil war.

He is now likely to be assigned to lame duck status for the two years remaining in his term, and his ambitions on the national stage, in which he has been closely identified with Mr Newt Gingrich, the Speaker of the House, have clearly been dented.

Mr Haley Barbour, national Republican party chairman, sought to play down the consequences of the elections, on the grounds that the Democrats were inclined to claim victory "every time they don't lose everything".

However, the Speaker and Republican national policies had been heavily criticised by

Democrats in several other races. Lt Gov Paul Patton, elected by a thin 51-49 margin in a come-from-behind victory, proclaimed that Kentucky had said "no to Newt Gingrich and Bob Dole, no to cuts in Medicare and no to the Contract with America".

Prime battlefield in next year's nationwide elections is more likely to be the suburbs than the countryside

Mr Fordice won comfortably enough in Mississippi but proved to have short cost-bills. The Democrats, already in a majority in the house, easily retained control of the state senate by 33-18, with two seats undecided, while the populist Republican cause of term limits for elected and appointed officials suffered a relatively

rare setback in a referendum.

In Maine, Democrats won both special elections and took back control of the house. A state referendum rejected an anti-gay rights proposition pushed by conservatives. In New Jersey, Democrats gained three seats in the assembly but Republicans, already running the senate, still won a 50-30 majority.

Most of the 10 big city mayoral races saw power remain with incumbents, with Democrats easily holding on in Philadelphia, Baltimore and Houston. San Francisco will hold a run-off next month between Mr Willie Brown, former state assembly speaker, and Mayor Frank Jordan, both Democrats.

A non-binding "presidential preference poll" in over a dozen central and western towns, organised by a private organisation, gave 44 per cent to President Bill Clinton, 18 per cent to retired General Colin Powell and 12 per cent to Senator Bob Dole. It came before Mr Powell's announcement on whether he would stand for the Republican nomination.

Argentine bomb man surrenders

A former Argentine army sergeant has surrendered to authorities investigating a bomb attack on a Jewish centre in Buenos Aires last year that killed 86 people, Argentine officials said yesterday. Reuter reports from Buenos Aires.

Mr Hugo Anzorreguy, Argentine intelligence service chief, said the man admitted to the judge leading the investigation that he "accompanied" a Renault van used in the bombing in July 1994, considered among the worst peace-time attacks on Jews.

He did not give the man's name. Telam, the state-run news agency, quoting prosecutors, said he was a 35-year-old artillery sergeant dismissed for taking part in a 1990 mutiny.

The man is believed to have handed himself in to a judge in the southern city of Comodoro Rivadavia on Monday and was flown to Buenos Aires on Tuesday for questioning by Mr Juan José Galeano, the federal judge who heads the bombing investigation.

Christie's sale lifts art market

By Anthony Thornecroft

The recovery in the international art market was confirmed at Christie's in New York on Tuesday night when an auction of 65 Impressionist and modern paintings and sculptures sold for \$107.7m, the first time that a Christie's auction has topped \$100m since the halcyon days of May 1990.

Most attention was on one of Picasso's sensuously imaginative portraits of his mistress Marie-Thérèse Walter, painted in 1932. In 1989 a Japanese buyer paid \$26.4m for the work. Returning it so soon to a weaker market was a risk and Christie's was expecting bids of around \$15m.

However, it sold for \$30m, and its success should tempt back to the auctions other significant paintings which have been locked away in Japan in recent years.

A much earlier Picasso, a portrait of a circus performer from his "pink period" of 1905,

went for \$12.1m, also above forecast. In 1980 it had sold for \$1.1m. A major Cubist painting by Picasso of 1911 was on target at \$7m.

Other highlights included a portrait by Modigliani of a fellow Left Bank artist, the sculptor Oscar Mieschmanoff, which went above forecast at \$9.35m, and the \$6.38m paid for a colourful Matisse of the 1930s, "Les deux femmes". A more important Matisse, one of the "cutouts" he experimented with late in his career, and the last still in private hands, was slightly disappointing at the same price.

One of Monet's many paintings of waterlilies also just passed muster, making \$5m, although a view of Charing Cross Bridge, painted in London in 1903, did well at \$3.5m.

In all 20 lots exceeded \$1m and only 10 failed to find buyers. In terms of value the auction was 95 per cent sold. The result underlines the renewed confidence at the top end of the art market and also the confidence of American business - half the works of art went to North Americans.

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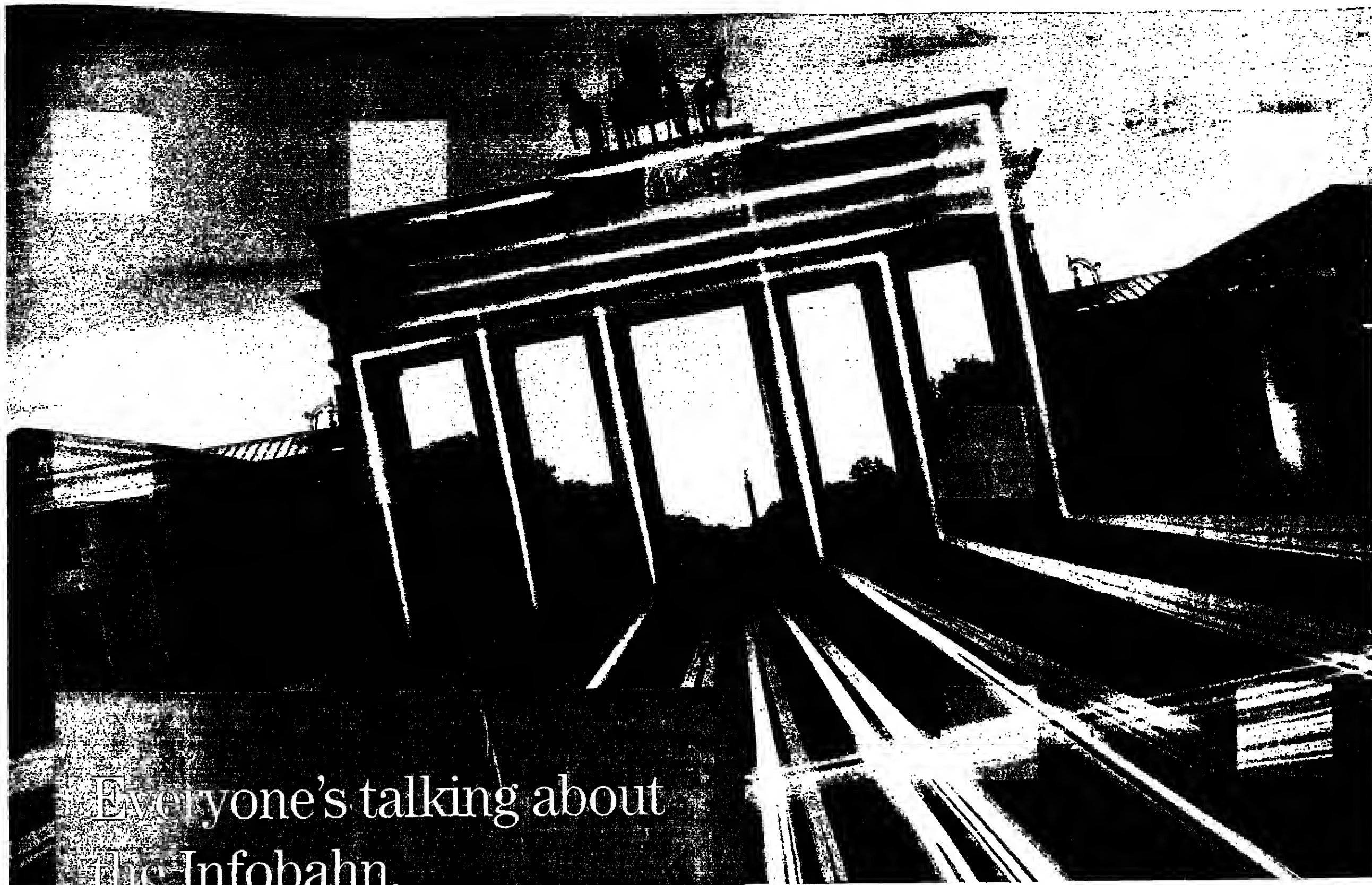
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Deutsche Telekom made the move to stock corporation at the beginning of this year. This restructuring means we are now free to press on even faster with technological innovation. At the same time, we're creating dynamic global alliances with market-leading international partners like Intel and Microsoft.

Join the highway here.
We saw the multimedia revolution coming – and laid plans to take advantage of it. Our vision has created a version of the Infobahn which is now up and running, with an array of applications and services to match. It's the fast lane to the future: and you're welcome to join us on it.

Our connections move the world.

Deutsche
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NEWS: WORLD TRADE

US and Thailand to settle air row

By Ted Bardacke in Bangkok

The US and Thailand are to hold talks on settling their five-year-old aviation row and expect to sign a new bilateral aviation agreement soon.

Agreement would increase the number of passenger and cargo flights Thailand allows US airlines to fly into Bangkok. Passenger loads for US carriers have been limited to the levels of 1990, when Thailand cancelled a previous treaty. Applications for extra cargo capacity are considered on a case-by-case basis.

US transportation secretary Federico Peña, at the beginning of a 17-day trip through Asia, said informal discussions had resulted in progress on a framework for reaching an agreement. "We do not anticipate this to be a very long process," he said.

Mr Peña said he would also sign aviation agreements with Hong Kong, Macao and the Philippines during his trip.

The stalemate between Thailand and the US appears to have been broken by a softening of the US stance on fifth-freedom rights, which allow airlines to pick up passengers during a stop-over in a third country.

Thailand also cancelled fifth-freedom rights for US carriers in 1990, citing figures which showed that the majority of passengers flown into Bangkok by US carriers were from Asian countries.

As a result, US airlines often land in Bangkok with empty seats after letting off passengers in Tokyo although the Tokyo-Bangkok leg of the flight is deemed full and there is a waiting list for seats on that route.

The agreement will increase capacity and partially placate US carriers, who have recently scaled back operations in Thailand and dealt a blow to Thailand's stated objective of becoming a regional air hub. Last July, Delta pulled out of Thailand completely and United cancelled flights stopping in Taipei that same month.

US holds up ship subsidy accord

By Charles Batchelor, Transport Correspondent

The US yesterday emerged as the main stumbling block to the early phasing out of state aid to shipbuilders in a marked contrast to its earlier strong stand against government subsidy.

European Union industry ministers voted on Tuesday to delay ratification and implementation of an international accord reached last year to end subsidies until the other main signatories to the pact - the US, Japan and South Korea - had fulfilled their part of the bargain.

It now appears that while European countries have outstanding concerns about

alleged "dumping" of shipbuilding capacity by Japan and South Korea, the US was the main obstacle to putting the agreement into effect.

Subsidies were to have been phased out from January 1 under an agreement reached within the Organisation for Economic Co-operation and Development, but EU ministers have agreed to extend until October 1 a special regime allowing state hand-outs of up to 6 per cent of the value of a contract.

The delay in implementing the new agreement in the US is due to a backlog of legislation in Congress and a dispute between Republicans and Democrats over shipbuilding policy. The House Ways and Means

Committee is already considering urgent legislation on Medicare and the US budget and has no time to look at the issue of shipbuilding aid.

The issue of aid has also split the US shipbuilding industry with six of the largest yards which used to specialise in naval orders setting up their own breakaway organisation, the American Shipbuilders Association, which is opposed to the removal of subsidies.

The 14 smaller yards left in the Shipbuilders Council of America are continuing their support for the abolition of state aid. The OECD move to outlaw subsidies was very much the result of fierce US lobbying to give its own shipyards a fair deal.

The delay in the US has prompted fears that some European countries will be tempted to increase subsidy levels to their own industries leading to a resumption of fierce price competition.

The two other countries which have been publicly blamed for delaying implementation of the OECD accord, Japan and South Korea, are closer to ratification. In South Korea the ratification document was submitted to parliament in September and is expected to be approved in December. Japan is in the middle of a busy legislative session but is expected to ratify by March.

The approaching deadline for the phasing out of state aid has

led to an influx of orders to many European yards as shipowners attempt to reap the benefits of subsidy. But this has prompted concerns among northern European yards that state-owned shipbuilders in southern Europe are continuing to enjoy an unfair advantage.

Kvaerner Govan, the British subsidiary of the Norwegian Kvaerner group, said it had lost one order for a stainless steel chemical tanker to Spanish group Astilleros Espanoles (ASEA) in July. Two other orders for similar vessels also went to ASEA which would otherwise have gone to northern yards, it added.

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WORLD TRADE NEWS DIGEST

Coface switches to securitisation

Coface, the French export credit agency, is to switch from relying on traditional bank loans to seeking "securitisation" funding in the financial markets as a means of obtaining cheaper export credit for Airbus purchasers.

The French finance ministry said yesterday it had asked Coface to switch to securitisation, in which investors would provide export credit in return for commercial paper backed by Coface, in order to match a similar facility offered by the US Eximbank to Boeing, the chief competitor to Airbus. The ministry estimates securitisation could lower Airbus export credit financing costs by 30 per cent compared to traditional export credits provided by banks and guaranteed by Coface. Of the two other national export credit agencies that back Airbus sales, the UK Export Credit and Guarantee Department has recently switched to securitisation, but Germany's Hermes agency still underwrites bank credits. David Buchan, Paris

Iveco invests in Ukraine

Iveco, the commercial vehicles subsidiary of Fiat, has formed a joint venture for the production of light and medium duty trucks in Ukraine. The Italian group is taking a 35 per cent stake in the venture, to be called Iveco-Kraz. The Kremenchuk Automobile Plant (Kraz), Ukraine's largest commercial vehicle maker, will also hold 35 per cent, while the remaining 30 per cent stake will be taken by the European Bank for Reconstruction and Development.

The EBRD, which was established in 1991 to assist in the transition process in central and eastern Europe, is investing \$18m in the joint venture, its biggest private sector investment in Ukraine.

Iveco-Kraz will begin production before the end of the year of two models based on the Iveco Daily and EuroCargo truck ranges at the Kremenchuk plant in central Ukraine. Components will initially come from Italy, but it is planned to raise local content during the next five years to around 70 per cent with output rising to 12,000 vehicles a year.

Kraz, which specialises in the production of heavy trucks, has 13 plants in Ukraine and has a total workforce of around 20,000. Kevin Done, East Europe Correspondent

Air traffic grows by 9%

Airline traffic grew 9 per cent in the first nine months of the year, against a total increase in capacity of 8.1 per cent, according to the International Air Transport Association.

The faster increase in traffic against capacity is welcome news for the aviation industry, as it indicates that airlines are adopting a cautious approach to introducing new aircraft. During previous recoveries, profits have been reduced by airlines buying new aircraft to accommodate the increase.

Mr Pierre Jeannot, IATA director general, said last month that he expected airlines to make total net profits on their international scheduled routes of \$5.7bn this year. The airlines made a net profit of \$1.8bn last year after losing \$15.6bn in the previous four years.

Passenger traffic in the first nine months increased 8 per cent over 1994, while the supply of available seats went up 6 per cent, IATA said. Passenger load factor, or aircraft seat occupancy, was 70 per cent over the nine months, one percentage point higher than in 1994. Freight traffic increased by 11 per cent. Michael Szapowal, Aerospace Correspondent

Howard Smith, the Australian diversified industrial group, said yesterday its Gonian engineering subsidiary had won a \$55m (\$41m) contract to provide 20 light rail vehicles to Hong Kong's Kowloon Canton Railway Corporation, which is expanding its services. Nikki Tsui, Sydney

Baku preparing for second oil boom

Bruce Clark and Scheherazade Daneshkhu on the revival of Azerbaijan's economy

Mr Arne Hoffman, Lufthansa's man in Baku, has worked in easier places. The German carrier's maiden flight to the Caspian Sea city, six months ago, was inexplicably denied permission to land; and his first attempt to stake out a small corner of Baku airport was abruptly terminated by the police.

Life is still full of challenges. The airport, built under the Soviet regime which ruled Azerbaijan until 1991, offers virtually no handling services to foreign airlines, and one runway is sometimes water-logged. But he hastens to insist: "We would not be flying here at all if we did not think it perfectly safe." And like most members of Baku's small but fast-growing western community, the young representative of the service industries which the energy boom will bring into being.

As energy from the Caspian transforms the region's economy, and the market reform that was pioneered in Russia spreads to other ex-Soviet republics, a city which had its first oil boom in the 1890s is now preparing for its second.

Both Lufthansa and British Airways report steadily rising demand for their twice weekly flights to Baku, as oil person- nel from the US, UK and Nor-

way start fulfilling the \$8bn drilling contract which a BP-led consortium signed last year.

In January, British Airways will be adding a third weekly flight to a destination that until a few years ago was only accessible via Moscow, by those who were prepared to put up with Soviet transport at its most rigorous.

The government of Azerbaijan, whose 7m people share a religion - Shia Islam - with Iran and a language with Turkey, expects to earn at least \$100bn from oil revenues over the next 30 years; and "new Azeris" - brash young entrepreneurs - are emerging to cash in on the bonanza.

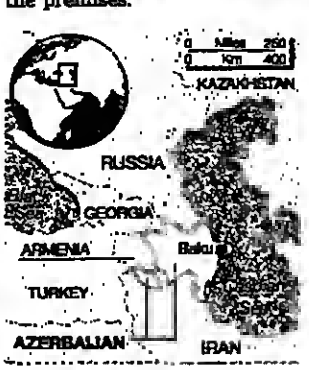
Apart from oil people and local tycoons, many of the western airlines' passengers will be hopeful representatives of the service industries which the energy boom will bring into being.

Mr Charlie Christmas, a 35-year-old Briton who came to Baku last year for a friend's wedding, has opened the city's first English pub. With the oil community set to rise tenfold next year, to about 5,000, it will not be the last.

Among hoteliers, Hyatt has led the way by transforming a handsome stone building in a modest quarter of the city into a five-star emporium, com-

plete with health club, swimming pool and casino.

The occupants of its 160 sumptuous rooms include bankers, geologists, pipeline builders, and diplomats courting the Azeri government; a bemusing spectacle for locals who remember a much older profession being practised on the premises.



But the Marriott group is - in the words of Mr Nick Ward, a senior vice-president - "actively considering opportunities in Baku" - and at least two other chains are also understood to be interested.

All this makes for peculiar contrasts in a run-down city whose 2m residents include hundreds of thousands of refugees from a war over the enclave of Nagorno-Karabakh which has left the Armenians

in control of 20 per cent of the republic. Supplies of electricity and water to parts of the city are erratic, and the local telephone network - which the Russian energy concern Lukoil and the UK telecoms supplier GPT are working to upgrade - is still a bit-of-a-mess affair.

But as anyone who has done business in a post-Soviet environment will report, the desolation of a ruined planning system can provide fertile soil for a new economy to grow.

The Hyatt, for example, found no shortage of bright young graduates of Baku's foreign language faculties who were happy with a starting salary of \$300 a month, more than five times the minimum wage.

A similar atmosphere of youth and ambition pervades the Improtex group, which includes the republic's only private airline and is a classic post-Soviet business story: it has progressed from trading (electronic goods from Dubai) and tourism (servicing western business travellers) to a growing retail network and some light manufacturing.

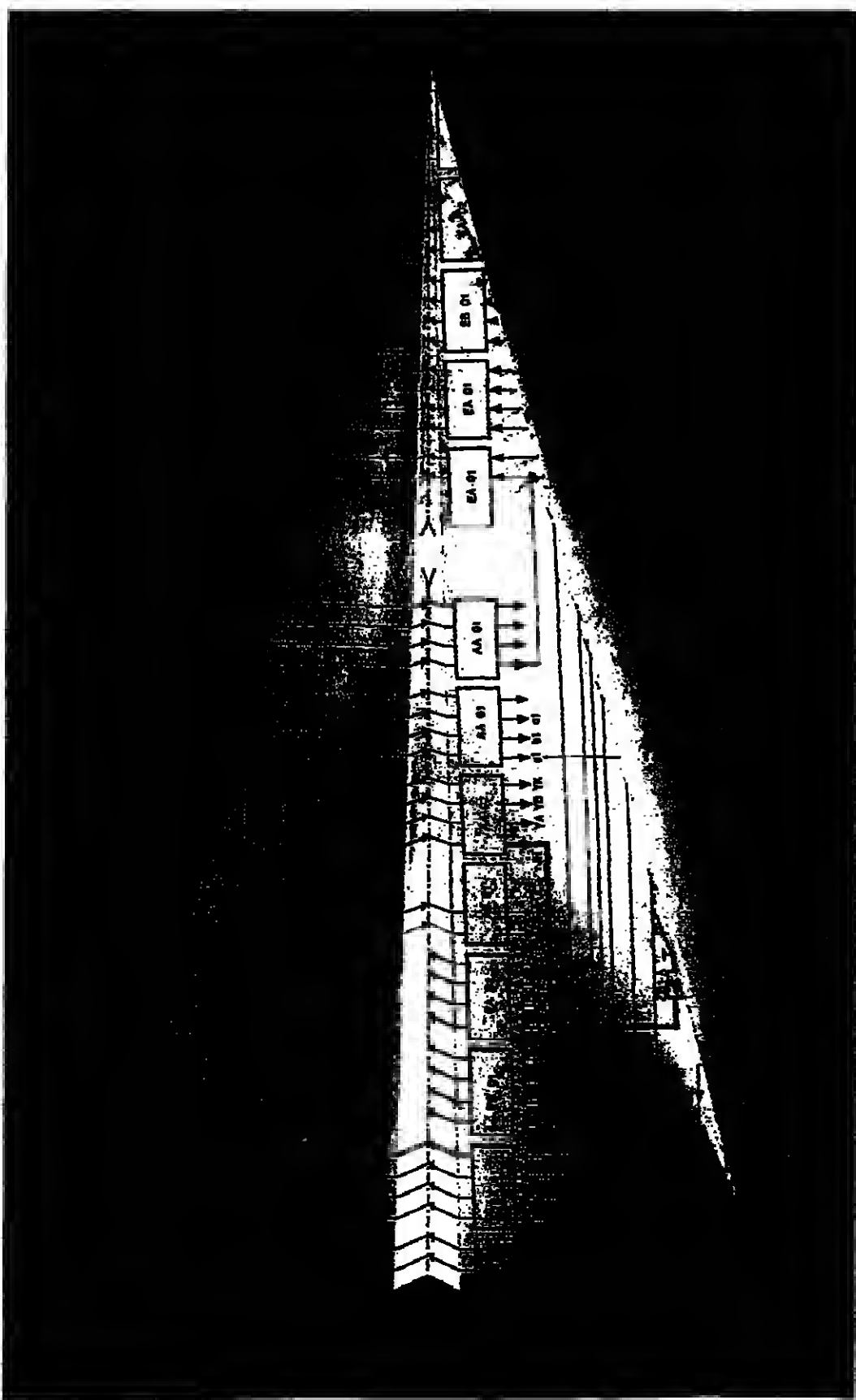
Life is no picnic for that group either. Mr Jeyhoon Mammadbelly, deputy director from Trent Nottingham University in Britain, complains of a "lack of legislation, lack of investment and a lack of

skills". Despite pressure from the International Monetary Fund, which provided Azerbaijan with a standby credit of \$48m last spring, privatisation has hardly begun. (The Soviet-era ministries which used to plan the economy have remained with little positive to do but considerable ability to make a nuisance of themselves.)

But the mere fact that inflation, well into four figures last year, has now been subdued is making Azerbaijan an attractive place for Moscow-based bankers and entrepreneurs, especially those - like the Lukoil president Mr Vagit Alekperov - who have family ties with the republic.

If Baku was a simple place to do business, with transparent laws, efficient bureaucrats and without the shadow of a war which could reignite at any time, it would probably be booming already.

As outsiders like Mr Hoffman and insiders like Mr Mammadbelly will testify, it meets none of these conditions - but the boom will probably come anyway. In the words of Ms Jacqueline Schmid, recently arrived from Germany to manage Hyatt's public relations: "In a few years, you will not have to explain to anybody where Baku and Azerbaijan are."



Can you simplify the global exchange of technology?

When Thailand legislated that industrial electricity users had to supply their own substations, the local economy didn't have the know-how. ABB

reacted with a swift hands-on transfer of technology. A "Tiger Team" of technicians flew in from Scandinavia and Saudi Arabia, to share skills and experience with Thai engineers, and handled the first project for the Thai Plastic Company. Next, ABB started local assembly and manufacture of switchgear, creating a whole new local industry. The "Tiger Team" remains involved in information exchange, but now the students are teachers too. As a leader in electrical engineering for the generation, transmission and distribution of power, and in industry and transportation, ABB is committed to industrial and ecological efficiency worldwide. We transfer know-how across borders with ease. But in each country, ABB operations are local and flexible. That means we are close at hand to help our customers respond

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مكتبة القاهرة

Japanese trade surplus down 7.4%

By William Dawkins in Tokyo

Japan's current account surplus shrank 7.4 per cent in the six months to September, the fourth six-month decline in a row, the finance ministry announced yesterday.

The decrease, to \$58.3bn, was caused by a continued rise in imports, from both foreign suppliers and the growing number of Japanese companies abroad.

This is a mark of how the high yen and recession have started to alter the structure of

the formerly export-based domestic economy, economists in Tokyo said.

This would keep up the pressure on the yen to continue its post-August retreat against the US dollar.

Within the total, the surplus in September fell 10.3 per cent compared with the same month last year, to \$10.6bn and will continue to fall for at least the next few months, ministry officials predicted.

Over the six months, the trade surplus fell 3 per cent,

the second six-month decline in a row, to \$70.15bn.

Exports rose fast, by 14.9 per cent to a record \$219.8bn, but imports easily outstripped that growth, rising 25.8 per cent to \$149.12bn, also a record, the seventh consecutive half-yearly gain.

Japan's electronics industry, which is benefiting from a world expansion in demand for semiconductors, led the rise in exports, with an increase of 44 per cent.

However, Japan's second

largest export industry, cars, saw a 5.5 per cent fall in foreign sales, a consequence of increased production by Japanese factories in the US, an official said.

Car imports, by contrast, rose 47 per cent in the first half, exceeded only by office equipment (including computers) with 78.2 per cent growth.

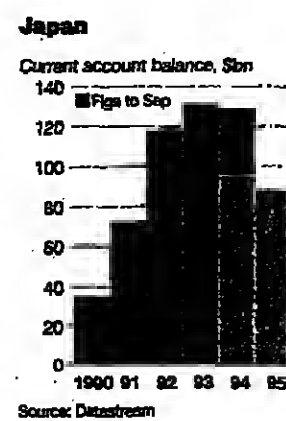
Revealingly, imports of manufactured goods have risen to 58.1 per cent of the total, a change from Japan's former

role as an importer of raw materials for transformation into export goods.

Japan's long-running deficit on the services account expanded by 35.8 per cent to \$8.26bn in the first six months, led by a growth in foreign travel.

But in September alone, the long-term capital account swung into a surplus of \$800m, the first surplus since March.

Net capital outflows fell as Japanese banks sold foreign bonds to raise cash to write off



bad debts, according to Merrill Lynch in Tokyo.

ASIA-PACIFIC NEWS DIGEST

Hanoi warned over reforms

The World Bank has praised Vietnam's success in achieving sustained economic growth and curbing inflation in the past year but has warned that further growth and the success of economic reforms depend on Hanoi speeding private-sector development. "Despite the success of state enterprise-led industrialisation since 1991, a strategy based on developing large, capital-intensive state enterprises, protected from foreign and domestic private competition and concentrated in selected 'strategic' sectors, would not deliver the industrialisation Vietnam needs," it said in a report which was ready last month but made public only yesterday.

Vietnam officially abandoned its command-style economy in 1986 and has seen an average 8 per cent GDP growth since reforms, known as *dai moi*, started to bite in 1989. In spite of a programme of state enterprise reform that has slashed loss-making entities from 12,500 to 6,000 since 1990, Vietnam's private sector is still small and faces discrimination from the government, mainly in terms of access to credit.

Foreign economists say Vietnam's Marxist-educated leadership is still uncomfortable with the idea of a flourishing private sector for ideological reasons. Prime Minister Vo Van Kiet told last month's session of the National Assembly that the state sector had "not dominated the country's economy as we expected". The report noted: "The debate on whether there should be an environment that encourages and sustains the private sector... or that keeps it more tightly under government control is not yet resolved." *Jeremy Graw, Hanoi*

Korea remark prompts apology

A Japanese cabinet minister apologised yesterday for saying Japan did "good things" during its colonial rule over Korea. Mr Takami Eto (pictured left), head of the Management and Coordination Agency, said he withdrew the remarks and regretted them. His apology came a month after Prime Minister Tomiichi Murayama was forced to back down on positive comments he made about Japan's 1910-1945 colonial rule over then-undivided Korea. "I withdraw my statement," Mr Eto, a veteran member of the conservative Liberal Democratic party, said. "I regret it caused a misunderstanding." Mr Eto had told reporters: "It [Japan] erected schools and universities and substantially raised the level of education. I laid 5,000km of railways, conducted irrigation, improved port facilities and planted trees in the hills." *Reuters, Tokyo*

conservative Liberal Democratic party, said. "I regret it caused a misunderstanding." Mr Eto had told reporters: "It [Japan] erected schools and universities and substantially raised the level of education. I laid 5,000km of railways, conducted irrigation, improved port facilities and planted trees in the hills." *Reuters, Tokyo*

Japanese pay bonuses boosted

Japan's leading electronics companies plan to increase workers' bonuses for the second year running, a small dose of good news for depressed consumer confidence. The six leading Tokyo-based groups have offered a 1.8 per cent rise, well above inflation, in winter bonuses, according to union officials; the rise among Osaka companies averages 1.3 per cent. Electronics companies' pay has set the trend for other industrial sectors. Typically, bonuses account for 30 per cent of total pay, with 10 per cent from overtime and the rest from basic salary. Overall, pay is expected to rise this year at about the same level as last, 2.2 per cent, advancing to 2.5 per cent next year. Mr Russell Jones, economist at Lehman Brothers in Tokyo, said:

William Dawkins, Tokyo said: "Kazu Shinya Kumai, the defunct credit union from which ¥100m (\$800,000) in Bank of Japan special loans has disappeared, will use voluntary contributions from its employees to make up the missing sum, it said yesterday. Japanese financial regulators have been embarrassed by the disclosure of the disappearance of the ¥100m from Kizu. The Bank of Japan extended ¥360m to Kizu after a run on the credit union at the end of August. Mr Tsukuru Hasegawa, Kizu president, said he would give up all his salary for five months; five senior board members have been asked to contribute 40 per cent of their salary. Some 600 clerks have been asked to give 10 per cent." *Emiko Tsurumoto, Tokyo*

China's industry output up 13%

China's industrial output grew by 12.9 per cent in October compared with the same month last year. This was in line with government expectations. Figures published by the State Statistical Bureau showed there had been some pick-up in activity between September and October, reflecting an easing of credit restrictions. But the outlook remained difficult for heavily indebted state-owned companies, whose output grew by 6.4 per cent in the 10 months to October, well below the overall increase. The state sector continues to be burdened by problems of triangular debt in which enterprises are unable to pay each other for goods and services, and by a buildup of inventories. *Tony Walker, Beijing*

Victoria to privatise port

The Victorian state government yesterday announced it was to put the Port of Portland up for sale. It was calling for expressions of interest in the port assets, which include its wharves and land, by November 17, and hoped to proceed with a sale next in the new year. The facility is one of three regional cargo ports the state government is keen to sell, the others being at Hastings and Geelong. The Portland facilities take in five "common-user" berths, and one for the Portland Aluminium smelter. The main items passing through the port are alumina and aluminium ingots, grain, fertiliser products and woodchips. Under the proposed sale, the government would retain ownership of underwater assets. Victoria, trying to reduce a \$500m (\$22.3bn) debt burden, has been to the fore of Australia's privatisation trend, pursuing sales more quickly and widely than any other state. *Nikki Tsai, Sydney*

Timorese get Portuguese asylum

Eight East Timorese who entered the Dutch embassy in Jakarta on Tuesday requesting political asylum have been granted asylum in Portugal. The East Timorese told the Dutch embassy they were on the run from the Indonesian military, which invaded East Timor in 1975 after the territory was abandoned by Portugal. *Mariaela Saragosa, Jakarta*

Opposition sees a distraction from its claims against President Kim

Korean fund probe 'a formality'

By John Burton in Seoul

South Korean opposition parties yesterday said the investigation of alleged contributions by business leaders to former President Roh Tae-woo's \$550m (\$410m) slush fund appeared to be a "formality".

The National Congress for New Politics (NCNP), the country's largest opposition party, claimed the questioning of leading businessmen by prosecutors was meant to distract public attention from allegations that President Kim Young-sam used money from Mr Roh's slush fund to finance his 1992 election campaign.

President Kim has denied personally receiving funds

from Mr Roh, but has so far refused to disclose the sources of his campaign finances.

The Democratic Party, another opposition group, urged the prosecution to investigate the business leaders thoroughly to determine if their political contributions to Mr Roh amounted to payments for government contracts.

The prosecution has said the business executives being summoned are "material witnesses", not suspects.

Mr Park Kye-dong, an opposition MP who has played a crucial role in exposing the slush fund, accused the government of trying to limit the investigation on the pretext that it would harm the national economy.

The chairman of Samsung, LG, Daewoo and Hanjin groups were questioned yesterday about the size of their donations to Mr Roh and in what circumstances the money was given.

Mr Lee Kun-hee, Samsung chairman, was asked about government contracts for the F-16 combat aircraft programme and nuclear plant construction and official approval of Samsung's entry into the car industry.

Other businessmen expected to be called include the current or former chairman of Hyundai, Daewoo, Saengyong, Lotte, Hyosung, Kolon, Doosan, Hail and Kohap groups, which are among the country's leading conglomerates.

The prosecution said it will question about 30 senior businessmen by the end of next week, but this has prompted criticism that the rapid pace of the interrogations may produce false results.

Businessmen found to have made contributions to Mr Roh may be liable to tax penalties, but the National Tax Administration yesterday said it would not conduct tax audits on their companies until next year to avoid creating problems for the economy.

The investigation of the scandal has come at a critical time for the conglomerates, which are drawing up investment plans for 1996 and trying to increase exports to meet this year's targets.



South Korean housewives denounce former president Roh Tae-woo, demanding his arrest over a \$650m slush fund

Sri Lanka's budget hit by defence spending rise

By Mark Nicholson in Colombo

The Sri Lankan government's fiscal performance has been thrown off kilter by a 33 per cent rise in its defence budget over the year and the prospect of high military costs next year. This is the result of the government's intensified assault on the Tamil Tiger stronghold of Jaffna, Mr G. Peiris, deputy finance minister, admitted in his annual budget speech yesterday.

Mr Peiris said defence spending, combined with unexpectedly high costs of a government wheat subsidy and attendant rising debt service

Budget items	1995	1996	1997	1998
Total Revenue	20.5	19.1	18.5	20.6
Total Expenditure plus net lending	28.6	26.9	26.1	25.7
Current account surplus/deficit	-7.7	-2.8	-0.6	-3.0
Budget deficit (before grants/assistance)	-9.3	-7.8	-6.6	-5.1

costs, would push the budget deficit well above this year's target of 7.5 per cent of GDP to 9.3 per cent for 1995. He set a 1996 budget deficit target of 7.8 per cent of GDP,

1995 to Rs32bn, with spending due to rise a further 18 per cent to Rs38bn next year, he told parliament, meant "it is not realistic to pursue the original fiscal adjustment path".

"No scope" existed for stronger revenue measures or deeper expenditure cuts "at a time of national emergency".

The budget offered only modest solace for Sri Lanka's depressed businesses and stock market, though Mr Peiris described growth this year of 5.5 per cent as "credible" in the circumstances and said this should rise to 6 per cent in 1996.

As a fillip to slackening con-

sumer spending, he raised personal tax thresholds and widened tax bands.

In an attempt to revive dwindling inflows of foreign direct investment, which last year dipped to Rs4bn from Rs9.2bn in 1994, the minister also announced new tax holidays for investments in export industries bringing "advanced technology" and for those in "large-scale development projects" exceeding Rs500m.

Mr Peiris said total government revenues next year would reach Rs273.4bn, against expenditures of Rs273.4bn, but while announcing spending cuts of Rs4.9bn, the figures rest

most heavily on government hopes of gleaming Rs21bn from "public-sector reforms", a code for the sale of state assets.

Sri Lanka's stock market, along with both foreign and domestic advocates of reform, will welcome accelerated privatisation. But the government's revenue figure appears optimistic in the light of this year's performance.

The government has raised only Rs2.6bn of an initial target of Rs13bn, a failure Mr Peiris blamed on complex restructuring problems, the need to consult with trade unions and the stock market's year-long decline.

Palawan, Philippines' final frontier, fights to cement its green credentials

An offer by a foreign consortium to set up a \$74m cement plant is sorely testing the green convictions of the outlying Philippine province of Palawan, known as the country's "final frontier".

The local authorities on this island, 240km southwest of Manila, have enacted some of Asia's strictest environmental laws to protect its natural wealth. But the inhabitants have a per capita income of just \$330 - about a third the national average.

The island's leaders last year rejected a \$40m steel mill and have turned away other projects on environmental grounds.

The latest proposal by a Canadian-Taiwanese consortium would be 10 times the size of the previous largest investment in Palawan. It would include the construction of a new port and an 80MW power plant - quintupling the island's meagre power capacity and creating 2,000 jobs.

"We are looking at the offer very closely," said Mr Salvador Socrates, governor of Palawan. "We realise that it would have a very significant impact on our economy. But our first principle is that the integrity of Palawan's environment is non-negotiable."

Since assuming the governorship in 1992 Mr Socrates and Mr Edward Hagedorn, mayor of Puerto Princessa, have revoked all commercial timber concessions, clamped down on

The local authorities have enacted some of Asia's strictest environmental laws, writes Edward Luce

illegal logging and prohibited commercial fishing within 15km of the island.

In addition, a ban was imposed on the export of all wildlife, dealing a blow to the Philippine tropical fish and mynah bird export industry. "For the first time it would seem that the authorities are serious about preserving Palawan's environment," said Attorney Lito Alasag, director of Haribon, a leading environmental group. "The next challenge is to make this policy profitable."

According to Mr Hagedorn, who has won national awards for his "Clean Up Puerto Prin-

cesa" campaign - which includes a 200 peso (\$8) fine for dropping a cigarette or other litter - the best hope of achieving sustainable development is through eco-tourism.

With over 300km of pristine beaches and 54 per cent virgin rainforest cover, Palawan is viewed as a potential Bali or Phuket (south east Asian holiday resorts). The island is also home to dozens of unique species. A growing queue of interested foreign resort chains, however, faces a challenge in persuading the Palawan sustainable development council of their green intentions.

"We are very aware of the

dangers which mass tourism bring," said Mr Socrates.

"We do not want our island to turn into the usual south east Asian resort with brothels, gambling, drugs and the rest. Our policy is to attract 'low volume, high value' tourists interested in the environment," he said.

Several groups, including the Soriano Corporation, owner of San Miguel, the Philippine brewery company, have set up luxury ecological resorts for divers and trekkers. The Soriano's El Nido resort on the north of the island is considered the highest quality retreat in the country. The group has

donated high-speed boats to the local police to tighten up the ban on commercial fishing and coral-dynamiting.

The increasing inflow of "green tourists" and the success of projects such as the island's crocodile farm institute and the cashew nut and tropical fruit industry are expected to boost Palawan's economy. More drastic measures, however, are considered vital to the island's prosperity.

According to Mr Hagedorn, who is viewed as a Singapore-style politician for his tireless promotion of public hygiene and civic morality, the eradication of police corruption is pivotal to the campaign to stamp out the plunder of the environment.

Mr Hagedorn, who won the distinction earlier this year of

RAMOS ORDERS EMERGENCY PLANNING FOR DISASTERS

President Fidel Ramos yesterday ordered Philippine officials to draw up emergency plans to cope with future natural disasters as government agencies totted up the economic costs of a typhoon which devastated much of the country last weekend, Edward Luce reports from Manila.

Economists said that the typhoon, which has claimed 800 lives and left about 200,000 people homeless, had probably put paid to the government's target of reaching 6.5 per cent gross national product growth this year.

Continuing power shortages in parts of the country and the closure of several arterial roads on Luzon, the Philippines'

main island, had damaged industrial production, analysts said. Economic growth, which was 8.2 per cent in the first half of the year, is expected to remain flat for the next few months.

President Ramos yesterday declined to put a figure on the overall cost of the disaster but senior ministers conceded that the government's upper limit of 7.5 per cent inflation in 1995 was now unrealistic.

Inflation, running at 11 per cent before the typhoon struck, is expected to rise as commodity shortages resulting from Typhoon Angela feed into higher prices. Food makes up 58 per cent of the consumer price index.

Exporters estimate that up to 30 per cent of the country's coconut crop, which was the Philippines' largest commodity export last year, was destroyed in the storm. More than 500,000 coconut trees were toppled in one province alone last weekend.

Rice prices, which doubled this summer after a poor second-quarter harvest, are expected to increase owing to damage on Luzon, the country's main rice-producing area. The government, which was forced in August to import 245,000 tonnes of rice from India and Vietnam in an attempt to damp inflation, will almost certainly have to import more foreign rice to cover the expected shortfall, officials said.

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NEWS: UK

Bank of England warns of inflation target danger

By Robert Chote, Economics Editor

The Bank of England yesterday revised down its forecast for price increases over the next two years, but warned that the government was still more likely to miss its inflation target than hit it without another rise in interest rates.

"Achieving the inflation target in two years' time is by no means assured," the Bank said in its latest quarterly *Inflation Report*. But it said the outlook had become much less certain since its last report in August.

The tone indicates that Mr Eddie George, the governor of the Bank, has continued to advocate a "wait and see" policy on interest rates, having retracted his demand for an increase over the summer as economic growth slowed.

The Bank said the recent slowing in the pace of growth might continue if companies met demand by using unsold goods rather than new production. Growth should pick up over the next two years.

The Bank predicted that underlying inflation - excluding mortgage interest payments - would peak at about

3½ per cent early next year, before falling to a little over 2½ per cent at the beginning of 1997 and remaining there through the year. The government's target is for underlying inflation of 2½ per cent or below from the spring of 1997.

The report said it was just as likely that inflation would overshoot the Bank's forecast as undershoot it. The Bank's previous report said there was more risk on the upside than the downside. The upward spike in the inflation rate in 1996 reflects a rise in import prices triggered by sterling's weakness early this year.

Mr Paul Mortimer-Lee, who was in charge of the Bank's inflation forecast before joining Paribas Capital Markets earlier this year, said the flat profile for inflation in 1997 looked rather implausible.

"They are clearing the decks for a rate cut," Mr Mortimer-Lee said. "The door is not open yet, but it has been unlocked. They are just waiting for the Budget."

The futures market concluded that a post-Budget rate cut was now more likely. The short-term contract predicts a base rate of 6.37 per cent next March, compared with

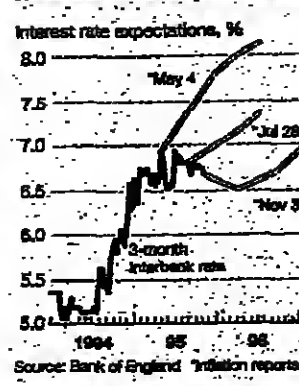
the current 6.75 per cent.

Mr Mervyn King, the Bank's chief economist, said the content of the Budget would be taken into account in framing advice on base rates. "What concerns us most is the medium to long-term stance of fiscal policy," he said.

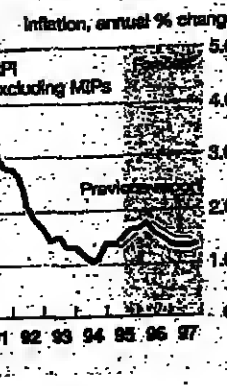
National output is growing at or just below its long-run trend rate, but the Bank believes that unemployment has not yet fallen to the point at which it will put serious upward pressure on earnings increases and inflation.

Editorial Comment, Page 15

Interest rate expectations fall



Inflation, annual % change



Consultants win more income overseas

By Andrew Taylor, Construction Correspondent

British consultants generated £1.6bn (\$2.51bn) of overseas income last year - almost 7 per cent more than the £1.5bn earned in 1993, according to a survey published yesterday.

The study by the British Consultants Bureau reported that for every £1 of international work awarded to consultants, a further £10 was won by other British companies in follow-up orders for construction, materials, operating and service contracts.

It added: "The ratchet effect meant that Britain won at least a further £16bn of export orders in 1994 as a result of the endeavours of consultants."

The survey showed that British firms had worked in all but five countries last year. The biggest demand for British consultants had come from Russia, Hong Kong and China.

Nearly half of all the fee income had been earned in the Asia Pacific region, with a further 23 per cent coming from the Middle East and North Africa.

Engineering consultants had made an important breakthrough in Korea, a market which had been "effectively closed to foreign consultants and contractors."

Rendall, Palmer and Tritton had won a £1m contract to advise on the reconstruction of the Songn Bridge in Seoul which collapsed last year with the loss of 32 lives. Moti MacDonald was advising on the construction of a new bridge across the River Han in Seoul.

According to the survey, the areas of international work in most demand from British consultants were project management, followed by environmental impact studies, drainage and sewerage projects, economic studies and work for tourism and leisure projects.

Mr Colin Adams, Director of the ECBS, said that the figures showed Britain's consultants are continuing to be very successful in winning assignments throughout the world, despite ever-increasing competition.

A striking example is that of the European Bank for Reconstruction and Development, where 42 per cent of all consultancy contracts are awarded to British consultancy firms.

Container port plan may be scuppered

By Ian Hamilton Fozzy and Stewart Dalby

Plans by the Edinburgh-based Forth Ports to build a £20m (\$31.4m) floating stage at Birkenhead, near Liverpool, are likely to be sunk this afternoon. The stage would have started a fierce battle with Mersey Docks and Harbour Company for a share of a growing Irish Sea trade in container freight.

The proposal, which is allied to a dockside science park, office and student residential development at Twelve Quays on the Wirral's Mersey waterfront, needs about £9m of subsidy from the EU.

However, Mersey Docks has already started work on a rival £16m scheme on the Liverpool side of the river and announced in July that it was not seeking a subsidy from public funds. This forced a technical committee of public and private sector representatives - which advises how Merseyside's £630m of special EU funding should be spent - to order a study of markets to see if there was room for both.

The result will be presented to the technical committee today and is understood to say that the market can support only one floating stage for roll-on, roll-off freight in the Mersey at present. Since EU money cannot be used to subsidise redundant capacity - and the ports of Holyhead, Stranraer, Heysham and Fleetwood are also competitors - the committee is likely to have no option but to reject Forth Ports' proposal.

Eurotunnel advised to undercut ferry operators

By William Lewis

Eurotunnel, the Anglo-French operator of the Channel tunnel, would increase its profitability by cutting prices below the ferry operators, says an academic report.

In response the ferry companies would "find it hard to offer prices which can compete and still cover their overhead costs", it says.

Eurotunnel will today announce details of its new price brochure, to start in January, which is thought to contain a wider range of fare categories and some incentives to boost winter traffic.

A more sophisticated pricing structure is part of Eurotunnel's attempt to step up the war with the ferry companies on the cross-Channel route and force them to reduce capacity.

The intense competition on the cross-Channel market has

contributed to Eurotunnel's deepening financial crisis, which led it to suspend interest payments on £8bn (\$12.5bn) of debt.

Such a strategy would also be in line with the recommendations of the study, carried out by Mr Stefan Szymanski, a senior lecturer at Imperial College Management School. His report, *Rational Pricing Strategies in the Cross-Channel Market*, will be published this month in Transport Policy, an academic journal.

Using published data from Eurotunnel and the ferry companies, Mr Szymanski concludes that, from January 1994 Eurotunnel's pricing strategy has been to charge a premium of about 20 per cent for a weighted average standard return fare across the Channel.

Mr Szymanski, who has

worked as a consultant to Eurotunnel, says that the basis for this premium has been the Channel tunnel operator's conviction that its service is more attractive than the ferries. This means that if Eurotunnel and the ferry operators charged the same price, the tunnel operator would have a dominant market share.

The study concludes that if, as is likely, Eurotunnel is a relatively unattractive service, rational pricing means "charging lower prices than those already announced".

It says that "the reason in general Eurotunnel can generate higher profits by setting low prices is that by doing so it can utilise its enormous capacity". The less attractive Eurotunnel is in relation to the ferries, the more it must cut its prices in order to utilise its capacity as well as its low operating costs.

BA chairman warns of 'desertion' of Heathrow

By Michael Skapinker, Aerospace Correspondent

If London's Heathrow Airport fails to get a fifth terminal, air travel in the south-east will be so congested by 2010 that about 30m passengers will be forced to fly from other locations, Sir Colin Marshall, the chairman of British Airways, said yesterday.

Sir Colin told the Terminal Five public inquiry that BA would have to try to establish a second base in continental Europe if Heathrow was refused permission to expand. This would be difficult as the biggest Continental airports were already dominated by European carriers.

The public inquiry, which is chaired by Mr Roy Vandermere QC, started hearing evidence in May on proposals by BAA, the airports group which owns Heathrow, for building the new terminal.

BAA says Terminal Five would increase Heathrow's capacity from 50m passengers a year to 80m.

Opponents of the terminal, who include environmentalists and local authorities, say increased noise and traffic would blight the lives of surrounding communities.

Sir Colin said yesterday that the introduction of bigger aircraft meant that the additional passengers could be carried with only a small increase in flight numbers.

He said there would be no need for an increase in night flights nor for a third runway at Heathrow.

Sir Colin told the inquiry that if Heathrow did not expand, passengers would increasingly travel to Frankfurt, Paris and Amsterdam to catch connecting flights, rather than to London.

"The historical factors which have contributed to Heath-

row's success for nearly 50 years, such as the UK's links with old colonial territories and London's favourable geographical position relative to the USA, will be insufficient to sustain the airport's position into the 21st century," he said.

Sir Colin expected the international aviation market to be dominated in future by a small number of global carriers in each market.

He said Europe would have room for only two, or at most, three global airlines. Each would operate from an airport hub.

While BA would expand its operations at Gatwick, that airport could never be as important as Heathrow because it was too far from the main markets in south-east England, he said.

This was even more true of Stansted, BAA's third London airport, he argued.

Car parts sector aims to close gap with Japan

By John Griffiths

The second stage of a joint government-industry initiative to close the yawning quality and productivity gap between the UK's £15bn (\$23.5bn) annual turnover car components industry and its Japanese counterpart was launched yesterday by Mr Tim Eggar, industry minister.

The move is aimed at helping companies improve strategic planning, product development, manufacturing processes, problem solving and the performance of their own suppliers. Key elements include:

- The Department of Trade and

Industry opening a sponsorship office based in Birmingham to provide aid and advice to component companies nationally.

• The DTI providing "pump-priming" funds of undisclosed size to support "focus groups" of supplier companies representing a complete supply chain - from raw materials to finished components - which will identify cost savings and other improvements to the supply chain.

• The Society of Motor Manufacturers and Traders, the government's partner in the initiative, recruiting expert automotive engineers from around the world to train their British counterparts in best-practice techniques.

The initiative follows a two-year DTI-backed project, "Learning from Japan", in which the managers and shop floor employees of a dozen smaller UK components companies spent time with Japanese suppliers in order to improve productivity and quality procedures.

The project took place against the background of benchmarking exercises undertaken jointly by consultants Andersen Consulting, Cambridge University and Cardiff Business School's Lean Enterprise Centre, which found that UK suppliers

on average operated at quality levels 100 times worse than best-practice Japanese plants.

Mr Ian Gibson, chief executive of Nissan's UK "transplant" operations at Sunderland, Tyne and Wear, told an industry forum opening the initiative in Birmingham yesterday that smaller, so-called second and third-tier suppliers - those supplying big components groups such as Lucas Industries rather than vehicle makers directly - were prime targets.

Mr Gibson has already taken issue with some conclusions of previous benchmarking exercises. He insists that the best first tier - or direct -

UK component suppliers to Nissan have already moved much closer to Japanese quality and productivity standards than the benchmarking may indicate.

There is considerable concern among vehicle makers, however, that a swathe of smaller suppliers is falling increasingly behind the quality and productivity standards needed to assure them a future.

The first phase of the initiative was launched in April last year, mainly involving self-assessment exercises for components companies. Since its launch nearly 700 companies have volunteered to join the programme.



Economic liberalisation carries obvious rewards. And less obvious risks. Unfamiliar freight problems may be the least of your headaches. Import regu-

lations can be more trying - they're frequently just one of the tools for discouraging foreign competitors. You may have had some funny experiences. And

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Governments closer over Irish arms

By John Murray Brown in Belfast and John Kampner in London

The prospect of a breakthrough in the stalled Northern Ireland peace process appeared to increase yesterday as the Irish and British governments indicated differences over a proposed arms commission had narrowed.

Mr John Bruton, Irish prime minister, is understood to have proposed in a leaked letter to Mr John Major that their postponed summit be reconvened in two weeks.

It will then precede Presi-

dent Bill Clinton's visit to London, Belfast and Dublin at the end of the month.

The summit, originally planned for early September, was postponed by the Irish after Sinn Féin threatened that the creation of any body designed to secure the IRA's "surrender" would jeopardise the ceasefire.

In the following weeks UK officials reported slow progress with their Irish counterparts as both sides sought a new choice of words.

"What we're doing is trying to reformulate the wording of the commission's remit to

make it vague enough for it to be acceptable to everyone. It's extremely hard going," an official said.

But Mr Bruton's message to Mr Major, sent shortly before the two met in Jerusalem at the funeral of Mr Yitzhak Rabin, the assassinated Israeli prime minister, was warmly welcomed by British ministers.

Mr Bruton said the two leaders should use their summit to announce a target date for all-party talks.

In an intriguing concession, he said such talks might be delayed for six weeks after the proposed arms body, to be

headed by Mr George Mitchell, a Clinton aide, starts its deliberations. Such a "quarantine period" would give the British and the Ulster Unionists time to assess Sinn Féin's sincerity in working with the commission.

Both governments have said they are committed to the "twin track" concept - the establishment of a commission roughly coinciding with the start of substantive talks with the Northern Irish parties, to prepare the ground for all-party negotiations.

Contacts between Mr Bruton and Mr Major are expected to be stepped up in coming days with a series of telephone calls.

The British-Irish liaison group met in London yesterday, with Irish officials suggesting the differences were due to language rather than strategy.

But nationalist concern at the lack of progress was underlined in separate press conferences yesterday by the Social Democratic and Labour party and Sinn Féin.

Mr John Hume, the SDLP leader, called on the governments to announce the start of all-party talks "no later than" November 30 - the day Mr Clinton is in Belfast.

Tories suffer further blow to bruised morale

By Kevin Brown and John Kampner

Prime Minister John Major's hopes of a recovery in the government's standing in the wake of the Conservative conference were blunted yesterday by the resignation of the Tories' head of communications after a row with the party chairman.

The impression of renewed turmoil was also deepened by a leaked letter from Mr Peter Lilley, social security secretary, warning that proposed cuts in departmental running costs would have a "devastating" impact on the benefits system.

In unusually robust comments on the public spending round, Mr Lilley told Mr William Waldegrave, chief secretary to the Treasury, that proposed cuts in the department's £4bn (\$6.28bn) running costs "fill me with despair".

Mr Lilley's letter, leaked to Mr Chris Smith, shadow social security secretary, reflects the ferocity of cabinet debate over spending cuts as Mr Kenneth Clarke, the chancellor, tries to find room for Budget tax cuts.

The government has suffered two devastating blows this week. On Monday, MPs voted against Mr Major's advice - for full disclosure of private

income. On Tuesday, the court of appeal freed four businessmen convicted of shipping arms to Iraq because documents were withheld from their trial at the request of ministers.

Party morale, already dented by opinion polls showing Labour nearly 40 percentage points ahead, will be seriously damaged by the resignation of Mr Hugh Colver, head of communications at Conservative central office.

He is understood to have decided to go after demands for a more aggressive approach from Mr Brian Mawhinney, who has carried out a far-reaching reorganisation of Central Office since becoming party chairman in July.

"He clearly feels his talents, considerable though they are, are not best suited for handling the run-up to the general election. I disagree, and I told him that was my view, but he made his decision and I respect it," Mr Mawhinney said.

Mr Colver, a top public relations professional with high level experience at British Aerospace, the Ministry of Defence and Downing Street, was appointed only six months ago as part of a determined attempt to bolster the party's presentation.

IT review could lead to citizens' transaction card

By George Parker and Paul Taylor

The drive by British Deputy Prime Minister Mr Michael Heseltine to bring the government's computer systems into line could pave the way for a new "citizens' smart card", offering access to a wide range of transactions with the state.

Mr Heseltine has ordered the creation of a 10-strong information technology team inside the Cabinet Office to make sure all government departments use compatible computer technology and to oversee the £2.5bn (\$3.92bn) a year the government spends on IT.

Some government computer advisers believe his initiative could lead within seven years to individuals carrying a single smart card, containing a microchip which would store a wide range of personal information.

The card could then be used for benefit claims, driving licence details, and proof of identity. It could also be used as a charge-card to access government information on the Internet, such as reports of parliamentary debates.

Such a card is currently out of the question, since each government department uses its own computer systems.

There are 150 government departments and agencies whose IT systems have been developed at different times, often using incompatible hardware and software.

The problems posed by this diversity emerged earlier this year when the introduction of the new Jobseekers Allowance was delayed by six months, because computers used by the benefits agency and the former employment department were incompatible.

Ministers considered the introduction of a multi-purpose smart card earlier this year in a cabinet sub-committee but decided to put the idea on hold. They feared it could delay the introduction of two new cards: a social security benefit swipe card and a photo-bearing driving licence.

Mr Heseltine and the minister for public service, Mr Roger Freeman, want to revive the idea. "What we need is a central initiative to make sure we don't go into the 21st century walking around with wallets that are full of different smart cards," Mr Freeman said.

Mr Freeman yesterday confirmed the creation of the new Central IT Unit, based in the cabinet office, which will design a strategic approach to IT across government.

However Mr Ray Dibble, director of the Government Centra for Information Systems (GCITA) which advises government agencies and departments on the use of IT, expressed doubts about whether a centralised government IT strategy was workable.

"I do not think we will see

an IT strategy for government because that would cut into the independence of departments," he said. Nevertheless he welcomed the formation of the new "proactive" unit, even though its membership and terms of reference have yet to be decided.

One official acknowledged the civil liberties issues of having a plethora of private information on one card, but said it was possible to keep the details separate.

"The system could be designed so that an official in a benefits office would not be able to find out about your driving record, or whether you had been abroad recently," he said.

"The current thinking is that the best way to keep the information secure is to keep it on separate pieces of paper or different computers - our view is that a smart card can be a more secure means of achieving that objective."

A magnetic swipe card, of the kind planned for the benefits agency, would cost around 10 pence to produce, while a smart card with microchip could cost £5.

"The government could push costs down, if you had 30m or 40m people all using the same card," the official said. "The benefits for British industry would also be significant." Companies like Siemens and GPT would be well-placed to take on such work.

UK NEWS DIGEST

Delay to new governance committee

Formation of the successor to the Cadbury committee, to examine corporate governance in the UK, has been further delayed because of difficulties in recruiting members and debate over its remit.

An official announcement is now not expected until next month and the committee will not begin its two-year study, expected to be limited largely to reviewing the first committee's work, until January.

Discussions about the committee's remit and membership, led by Sir Sidney Lipworth, chairman of the Financial Reporting Council - the standard-setting body for the accountancy profession - are being conducted under conditions of strict secrecy.

Advisers to the council, which is co-ordinating formation of the committee, say that persuading a business leader to chair the committee has proved "very tricky" following the problems experienced by Sir Richard Greenbury, chairman of Marks and Spencer, while chairing the Greenbury committee's investigation into executive pay. Two individuals have already turned down the chairmanship of the successor to Cadbury, and a "leading industrialist" is still considering whether to take up the post.

William Lewis

Accountancy regulation model welcomed

Britain's second biggest accountancy body yesterday welcomed the model for professional regulation put forward by the Common's Treasury and civil service committee in its report on financial services.

The ACCA, the body for certified accountants, said it supported statutory regulation with the involvement of practising accountants. The ACCA has suggested an independent supervisory body as a model for the profession. The Institute of Chartered Accountants in England and Wales, the leading regulator, is continuing to develop its plan for a Public Oversight Body for the profession.

Jim Kelly, Accountancy Correspondent

Pay dents nurses' morale

Nearly two-thirds of nurses have considered leaving the National Health Service in the past year, according to a survey which will be presented today to the independent body that sets national levels of pay for nurses.

The survey was commissioned by Unison, the public services union, which will urge the pay review body to recommend a national award of at least 8 per cent next year.

Dissatisfaction over pay was one of several reasons given by nurses for falling morale. Unison, which represents about 240,000 nurses,

said its survey showed a steep increase in the numbers considering leaving nursing - up to 62 per cent compared with 48 per cent in 1993 and 53 per cent in 1994.

Lisa Wood

Travel trade cuts flights

Up to 50,000 tourists could face changes to their holiday plans next summer, as the travel trade cuts flights and accommodation to avoid being left with unsold holidays.

Thomson, the biggest holiday company, confirmed yesterday that with bookings running about 25 per cent below last year, and with little prospect of recovery before Christmas, it was reducing capacity for next year. Changes to flights and hotels could mean disruption for up to 50,000 people who have already booked holidays, but Thomson promised to compensate those affected.

With other operators which announced capacity reductions of between 8 per cent and 15 per cent in September, Thomson had already planned to offer fewer holidays next summer after it had to sell 20 per cent of its holidays at late discount prices this year.

Neil Buckley

Plan 'may worsen racism'

Non-whites who apply for social security benefits are subject to widespread racism that will get worse under proposed changes to the immigration law, according to a new report.

The study, released today by the TUC, says that blacks and other ethnic groups are subject to "both operational and structural racism" in the benefits system. It says that income support claims take longer to process than for whites and those applying are required to supply more supporting evidence.

It warns that new training for social security officials to identify illegal immigrants, recommended by Mr Michael Howard, the home secretary, as part of immigration reform, would exacerbate racism.

Mark Sussman

Visitor numbers increase

The number of visitors to the UK has more than doubled in the past 20 years to 21m visits last year. However, the increase in Britons going abroad has been even more rapid, it tripled to just under 40m trips last year from 12m in 1975. This has led to a growing deficit on travel in the balance of payments of £4.4bn at the end of last year.

The majority - 69 per cent - of Britons go abroad on holiday. Only 14 per cent of visits were for business. But 43 per cent of overseas visitors' trips to Britain last year were for a holiday and 24 per cent for business.

According to *Travel Trends*, a new publication from the Central Statistical Office, British women going abroad spent less than men but tended to stay a day longer. Only women under the age of 24 spent more than men abroad.

The most popular destination for Britons was France but they stayed longer and spent more in Spain, the second most popular destination. Visitors from the US were the largest group to Britain last year accounting for more than 15 per cent of visits. The most popular holiday destination for visitors to Britain was London and the least popular, the Isle of Wight.

Scheherazade Daneshkhu

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge, particularly in the fields of industrial policy, third world development and the environment.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break.

In this, the fifth year of the prize, the Trustees are inviting applicants to write A Letter from a European City focusing on a feature which enriches people's lives and explaining how it might be transferable to other European cities.

The 1996 prize will be worth not less than £3,000.

Applicants, aged over 25, of any nationality, should submit their Letter of up to 800 words in English, together with a brief c.v. and a proposal outlining how the award would be used to explore the theme of the Letter further. Please keep David Thomas's interests in mind when writing both the Letter and the proposal.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

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TECHNOLOGY



ROBOTICS AT WORK

Forget about the excitement of scientific discovery. Much laboratory work is boring and repetitive - for example, endlessly transferring a few drops of liquid from one vessel to another - and therefore well suited to automation.

Robots are making rapid inroads into the world's laboratories. They are being used both for ground-breaking research - sequencing human genes and discovering new drugs - and for services such as quality control in the water industry and clinical testing in medical centres.

There are several specialist lab robots such as those developed by Amersham International, the UK life sciences company, for molecular biology and genetic research. Laboratories involved in large-scale gene sequencing, such as Genethon in Paris and The Institute for Genomic Research in Maryland, use dozens of robots to help chop up and reassemble stretches of DNA.

But many labs have chosen instead to adapt industrial robots. For example, North West Water's new £20m Lingley Mere laboratory in Warrington - one of the UK's largest automated labs - uses 11 articulated robots manufactured in Canada by CRS Robotics of Burlington, Ontario, and supplied by Affordable Automation of Manchester. There are also 10 gantry robots from various sources for more wide-ranging tasks.

"We focused on industrial robots because we have a very heavy workload - about 3m tests per year - and we need high reliability," says Robin Andrew, North West Water's head of laboratory services. "Our robots might be seen in another life screwing wheel nuts on to cars or grinding drill tips."

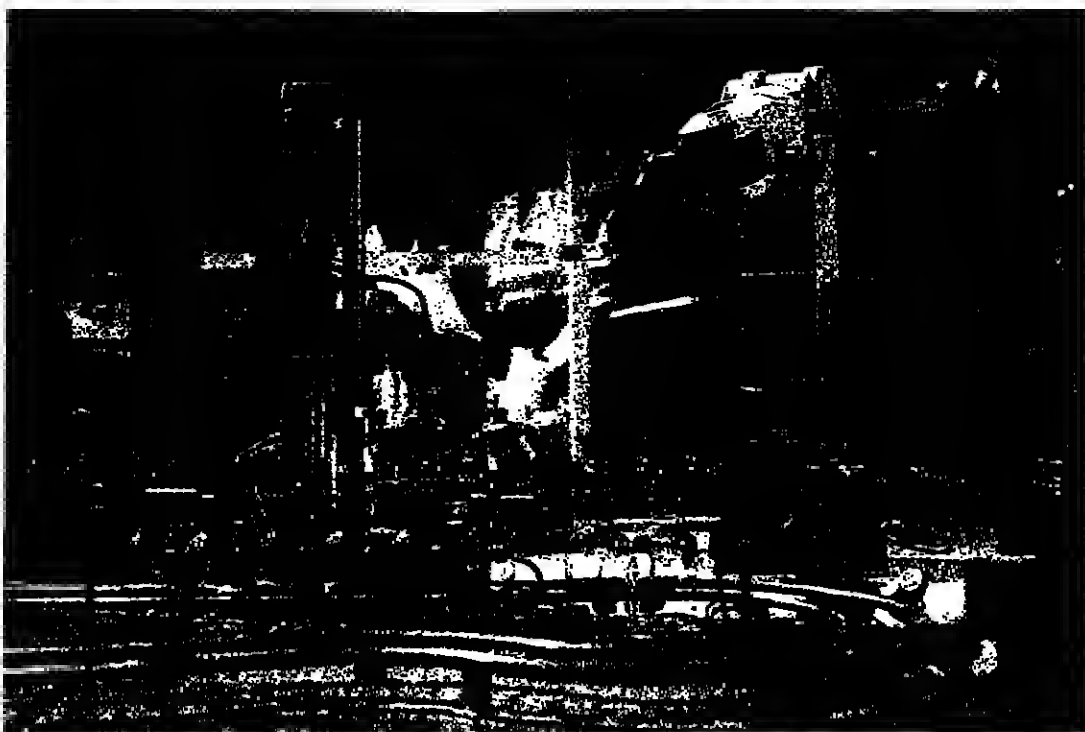
At Lingley Mere, the CRS robots have been adapted successfully to handle objects ranging from feather-light filter membranes to heavy bottles of water. Inevitably, though, there have been a few problems. In the waste water area, for instance, a robot transfers samples from bottles into grey plastic beakers for chemical and biological testing. "We started off with softer beakers but the robot arms were tending to squash them, so we had hard beakers custom made instead," Andrew says.

Every day about 3,000 glass and plastic bottles reach Lingley Mere from all over north-west England, containing a wide variety of samples from drinking water to sewage. Each is bar-coded prior to arrival and dispatched on an automatic conveyor to the appropriate testing area.

The robots and associated equip-

Clive Cookson and Daniel Green on the scientific processes made simpler by automation

Robots invade the laboratory



At North West Water, robots handle objects ranging from feather-light filter membranes to heavy bottles of water

ment have been bedding in for several months. A key step took place last weekend when the main data system, built on a Hewlett-Packard computer, went live; it handles and stores 500 megabytes of information - equivalent to about 1,000 full-length books - per day.

North West Water says that, when the system is fully operational, 85 per cent of tests at Lingley Mere will be carried out automatically, leaving the most complex and difficult 15 per cent to be done by human analysts.

Andrew says it is important, when automating a laboratory, not to be carried away by the technology. "We had the option of installing a machine vision system in the microbiology lab to identify growing colonies of bacteria, but we decided that would not be worthwhile because we only see one or two colonies a day, at most, and they are easily identified by human

operators."

The investment in Lingley Mere - £10m for the equipment including robots, £5m for the computer system and £5m for the building - enabled North West Water to replace 28 small labs scattered around the region, employing 280 analysts, with a central facility employing 100 analysts. The net saving in operational costs is estimated at more than £2m a year when compared with a manual alternative. At the same time, the company says it has improved the speed and reliability of its testing, so that potential water quality problems can be identified and tackled more quickly.

A similar desire for speed and productivity is driving the introduction of robotics in pharmaceutical research. Companies are taking on robots with enthusiasm in a number of areas but particularly in the early stages of drug discovery.

The central activity here is "high throughput screening": testing as many potential drugs as possible for activity against biochemical targets, in an effort to find molecules that show enough promise to be developed further for testing on animals and then people.

The recent improvement in screening rates is staggering. Zeneca of the UK, for example, screened 185,000 molecules in the 16 years to 1992, when it began to automate the process with the help of robots. In 1992 it screened 223,000 compounds. Now it is screening 345,000 a month.

Bob Hertzberg, associate head of biomolecular discovery at Smith-Kline Beecham's US research centre, reports a similar acceleration. "Our throughput has increased between 10-fold and 50-fold over the past three years, depending on how you measure it," he says.

"Three years ago, robotics for the

laboratory was in a very early stage of development; we may have been behind other industries in the adoption of robotics," Hertzberg says. "The past three years have been very important in getting good quality robots out to the labs."

Two main classes of robot are used in drug discovery:

- Small workstation robots prepare compounds by weighing, mixing and dissolving solid and liquid ingredients. A few drops of each compound are put into a "microplate", a plastic tray with 96 little wells on it, with an automated "pipette" - a high-tech version of the kitchen implement used to suck up oven juices and baste roasting meat.

- Larger robots with more elaborate articulated arms - and sometimes running on rails - integrate the workstations and other pieces of lab equipment. For example, they may move microplates into incubators, where they are heated for a fixed period, and on to the inspection area.

Robots are also playing a role in the bio-analytical area of pharmaceutical research. After promising compounds have been identified, they must go through a battery of laboratory tests to assess their toxicity and behaviour when broken down in the human body. Robots can help to transfer samples to and from the different specialised detectors looking for trace materials that might be produced when the compound is in the body.

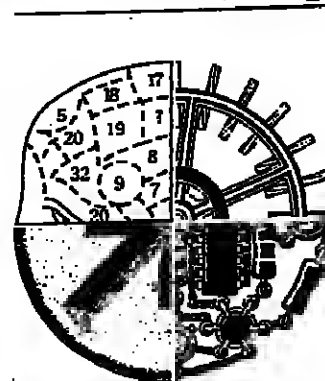
They play a part too in dosage form testing, later in the drug development process. Once a drug is ready for use in people, dissolution rates from alternative tablet types must be measured. Different stomach environments must be simulated for each part of a batch throughout the proposed shelf-life of a new medicine.

Zymark of Massachusetts, a leading US maker of laboratory robots, points out that the Food and Drug Administration requires such tests to be done in triplicate - another incentive to automate the process. Dosage form testing can be combined with quality control and is not limited to tablets: aerosol inhalers must be similarly tested.

The next big application of robots in the laboratory may be in combinatorial chemistry, a new technique for generating a previously unimaginable diversity of different molecular structures. Miniature robots, linked to powerful information handling systems, will be required to put together the different combinations of molecular building blocks - and associated identifying tags - that are required for combinatorial chemistry.

The series continues next month with a look at robots in the motor industry.

Worth Watching - Vanessa Houlder



Sensitive way to beat fraud

A mass spectrometer 100 times more sensitive than its predecessors has been designed for applications that include combating fraud involving imitation perfumes and falsely labelled wines.

For example, the spectrometer can match the trace amounts of the metals found in wine with the trace metals in soils from the wine's supposed region of origin.

The most important application of the instrument is likely to be in the electronics industry, particularly as the risk of damage from trace metal contamination is increasing with the decreasing size of microchips.

The machine, which has been developed by UK-based Fisons Instruments and installed by AEA Technology, the commercial division of the UK Atomic Energy Authority, is the first of a new generation of analytical instruments capable of detecting fewer than 10 parts per 10¹² (a million billion).

The instrument, which uses argon plasma at about 8,000K to ionise atoms, discriminates accurately between atoms of a similar weight. The machine is so sensitive that samples have to be prepared in a "clean room" to avoid contamination.

AEA Technology: UK, tel (0)1235 436581; fax (0)1235 436556.

Layout solution for Web documents

Distributing electronic text files on the world wide web is becoming a popular alternative to publishing paper versions of documents. But there have traditionally been problems in creating versions of documents that maintain the layout and graphical elements of the original. Xerox Corporation has addressed the problem with

DocuWeb, a software product that allows users to view and print digital documents, including journals, maps and photos via the world wide web. It has been targeted at educational, government and commercial users.

Xerox: US, 716 423 5090; fax 716 427 4267.

Sheep take out some of the sting

Victims of poisonous snake bites in Nigeria fill as many as one in 10 hospital beds. Now the government has embarked on a three-year project to introduce an approach for combatting snake bites based on sheep's antibodies.

Therapeutic Antibodies, which is based at St Bartholomew's Hospital in London, Nashville in the US and South Australia, makes the antivenom by injecting venom into sheep, rather than horses.

The sheep, which are bled monthly, produce Y-shaped antibodies which are treated with papain, an enzyme that digests part of the molecules that cause the unwanted immune reaction and divides the remainder into fragments small enough to be absorbed easily and distributed within the body. The antivenom is freeze-dried into a stable white powder, which can be dissolved in water and injected intravenously. Clinical trials have found the antivenom to be more effective and have fewer side-effects than conventional antivenom.

Therapeutic Antibodies: UK, tel (0)171 2512034; fax (0)171 3360297.

Sharp's recipe for keeping rice warm

When rice is kept warm for too long, it becomes dry and yellow and acquires an unpleasant taste because of a reaction by the rice's amino acids and sugars. The problem is usually caused by the grain being kept at too high a temperature.

Sharp, the Japanese electronics company, believes it has cracked the problem with the introduction of an optical rice-cooker that can keep rice at the ideal temperature of 70°C-73°C for 24 hours. It achieves precise controls and evenly spread heat using a halogen heater with a light-collecting film coat that absorbs energy evenly through its surface.

Sharp Corporation: Japan, tel 66253007; fax 66231667.

work

work

work

work

Stop Jack being a dull boy.

work

work



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THE MAGAZINE FOR A SCEPTICAL AGE

Prospect

ARTS

Cinema/Nigel Andrews

Comedy enters a whole new dimension

Film directors are doormen between reality and illusion. Their job is to help people in and out of vehicles, to make sure the swing doors are working, and to shoo away tramps, idlers and impostors. Most importantly they must never fall asleep on the job, literally or metaphorically. If they do - well, we see what happens in Tom DiCillo's wonderful *Living In Oblivion*, a comedy about movie-making.

Actually, it is the comedy about movie-making, at least for our disoriented, flaky memories. The film began as a short but grew in length as DiCillo (who made the limpidly offbeat Brad Pitt film *Johnny Suede*) found the gags, conceits and lunatic resonances about cinema multiplying.

The cast multiplied too: from the psychobabbling young director (Steve Buscemi) - "It's all there," he tells the actors, "you just have to let it out" - to the temperamental gay cameraman (Dermot Mulroney), the vain, dimwitted male star (James LeGros), the distressed leading lady (Catherine Keener) and the vertically challenged extra in an over-loaded dream sequence - smoke, apples, mother figures - who complains he is a victim of dwarfism screening.

They are all trying to make a low-budget underground movie. But the revolving door between fantasy and reality plays up so badly that our director/hero either cannot turn it at all or cannot stop it. Signalling the first is the horribly funny opening sequence in which the actress has to keep re-taking the same speech. Microphone dangling in frame, then focus loss, then noises off - the girl slowly succumbs to a baroque array of tics, trembles and freeze-ups.

The second condition - non-stop revolve - is apparent in the film's free movement between reality and dream scenes. We keep thinking we are in the one but discover we are in the other. There is no refuge, of course, in either. For DiCillo's characters, film-making is a dimension where anything can happen and none of it is good news. Your main

actor wants to wear an eye-patch for a love scene. Your main actress once did a shower scene with Richard Gere and never lets anyone forget it. Worst of all: when your paid actors fail to deliver the goods, your mother comes in, hits her chalkmarks, knows her lines and advises on camera placement. And she is not even in the film.

LIVING IN OBLIVION
Tom DiCillo

TO WONG FOO, THANKS FOR EVERYTHING!
Julie Newmar
Beeban Kidron

PANTHER
Mario Van Peebles

WHEN NIGHT IS FALLING
Patricia Rozema

DiCillo places his own camera in the simplest, most subversive spots. Pretending to be a guileless observer, its flat-on viewpoints and playblock colours suggest a 1960s innocence. Somehow, though, it comically X-rays every character's hopes, fears and vanities. Cinema, after all, is about people trying to drag the rebelliously accidental into the artful.

Living In Oblivion is a hundredth birthday tribute to a form that has spent much of its history - and will no doubt spend much of its future - feeling it is lucky to be alive at all. To Wong Foo, Thanks For Everything, Julie Newmar must have begun as one of those foolproof ideas everyone instantly says "Yes" too. We almost hear the chortles around the smoke-filled conference table.

"Three macho guys in drag? I love it!" "Yuh, we got Pat Swayze, Wes Snipes and Johnny Legitimo, and we see 'em pulling on the net stockings and hitching the bras..." "Hah!" "And they put on lipstick and wiggle and stumper." "Don't, you're breaking me up!" "And they get stuck in this one-horse town on the way



Horribly funny: Catherine Keener and James LeGros star in 'Living In Oblivion'

to some destination we'll make up..." "Hollywood." "Right, Hollywood. And they do little dance numbers and songs and a couple of the local guys take a romantic shine to them..." "Great - and do we have plagiarism insurance against *Priscilla, Queen Of The Desert*?"

The hit Australian drag comedy is not mentioned in the credits, though it could surely sue for copyright breach. The main on only difference is that *Priscilla* was funny while *Wong Foo* isn't. Instead of witty dialogue and well-timed acting, we have two hours of floundering and stammering in which we are expected to guffaw at the mere sight of action stars Wesley Snipes and Patrick Swayze painting their nails or making *moans* with their mouths. The debut writer

was Douglas Carter Beane. The director was Britain's Beeban Kidron, who made *Oranges Are Not The Only Fruit* and who may have longed to haul Jeanette Winter over to America to give some bite to the sexual ambivalence.

Panther hurtles through the true, or truish, tale of the 1960s/70s Black Panther movement. It has all the right credentials. The Black director is Mario Van Peebles of *New Jack City* and *Posse*, and the screenplay is by his film-maker father Melvin, whose *Sweet Sweetback's Baadass Song* was a cult movie with politicised blacks in the early seventies. So what went wrong? Almost everything. The cast is overcrowded and undercharacterised: from the truth-based day of Huey Newton and Bobby

Seale (Marcus Ching, Courtney Vance), who co-founded the Panthers and led their early confrontations with police and political institutions, to the fictive hero 'Judge' (Kadeem Harrison), who panics bravely in centre screen as if trapped between a Spike Lee movie and an Oliver Stone one.

This is *JFK* mixed with *Malcolm X* and denied the budget of either. Van Peebles (Mario) tries to run with the handheld camera and quick-cut, kaleidoscopic news footage, but the film never out-prints its own clichés. Every FBI man wears the Kevin Costner glasses from *JFK*, every enemy of the Panthers - from J. Edgar Hoover downwards - is lit and framed like Satan seen through an acid haze.

This is political history for

simpletons; but most simpletons will be smart enough to see something else. *When Night Is Falling* by Canadian writer-director Patricia Rozema is completely weird, but at least it doesn't try to sell us something. Men can't be lesbians and straight women presumably don't want to be.

So we sit back safely as college lecturer Pascale Bussières is distracted from her nice-but-boring academic boyfriend by lovelorn circus artiste Rachel Crawford. Miss C shoots arrows through windows, resurrects dead dogs, offers hanging interludes and seduces Miss B under the big canvas of the 'Sirkus of Sirkus'.

It is as if Jean Cocteau had directed a script by (let us re-invoke her) Jeanette Winter. One moment the whole

thing seems ineffably silly; the next it catches us up in a lithe, lopsided romantic magic.

At the London Film Festival the final week is dominated by the East. From Hong Kong, Yim Ho's *The Day The Sun Turned Cold* and Stanley Kwan's *Red Rose, White Rose* paint powerful pictures of love turning to tragedy in contrasting worlds: snowbound peasant China and cybernetic pre-Communist Shanghai. From China, Li Shaohong's *Black* is a bitter-sweet epic about two prostitutes trying to 'reconstruct' themselves under Mao. And from the nearer East, Iran's *The White Balloon* - little girl loses balloon, combs big city, finds life and revelation - hit cult status at Cannes and now shows at the LFF before opening in Britain after Christmas.

Webern's would not suit Bainbridge's backward-yearning intentions. Bryars' *Medea* seems a strange artefact now, especially when played without staging. It was his first "opera", earning the inverted commas because it was written for a Robert Wilson production in France, and figured only as the aural accompaniment to Wilson's original vision. Wilson likes to have up-to-date sound.

Accordingly, Bryars' music combined repetitive disco-beat minimalism only superficially like the "systems-music" that triggered the American imaginations of Steve Reich and early Philip Glass - with pastiches en passant of 19th-century French opera. Wistful, ambiguous cadences of *la Fauré* under the press-repeat chatter; sudden bursts of dramatic recitative of *la Cherubini* and Berlioz, though with wrenching Viennese Expressionist vocal leaps. This *Medea* score was bizarre enough to serve Wilson's stage purposes, but as concert-music it sounded thin, amateurish and unconsciously protracted.

Theatre
'Mack and Mabel'

Full of beans and bubbling with sentiment, the musical *Mack and Mabel* is an almost non-stop outburst of high energy. This is good news, and what is better news is that the energy pours first and foremost from the music.

The breezy, pulsating, impudent overture, a great success in its own right, tells you straightaway everything you need to know about the spirit of the show to come.

The tale of *Mack and Mabel* is about the nearly irresistible vitality of two especially mettlesome characters, the silent movie director Mack Sennett and his star comedienne Mabel Normand; and when finally their energy is repressed the show reaches its end. Energy, high spirits, vitality: *Mack and Mabel* reminds us that these are what musicals should be all about. The show, new in 1974, is to the book of Michael Stewart and the music and lyrics of Jerry Herman. Vigorously championed in subsequent years by David Jacobs, and its overture brilliantly choreographed by Torvill and Dean, it has been due for revival.

The director Paul Kerryson has seized the opportunity; his staging comes to the Picturedrome Theatre, Leicester. There is plenty to praise about his work here, and in particular the fact that he focuses everything on the two lead players. Nothing puts either Mack or Mabel into the shade.

Ironically, the show keeps telling you why Howard McGillin is wrong for the role of Mack. Mack is tough and brisk and comic; the song "I won't send roses" sums up his treatment of romance. McGillin, by contrast, looks the way poets should look; serious poets, I mean; and he speaks and sings along those lines too. Tall and lean, with deep-set eyes and distinguished American bone-structure, his voice is tremulous with feeling; the braying vibrato is, in fact, overdone. But, from the curtain's rise, McGillin gives a star performance. Caroline O'Connor, by contrast, belongs beautifully to the role of Mabel; and it is her. At first, this Mabel seems to be simply a marvellous cartoon character, with her absurd Dickensian face and the bright nasal voice with which she presents "Look what happened to Mabel", her first number.

Then, bit by bit, her voice reveals its darker power, and she shows the three-dimensional truth of this character. She really is a first-class comedienne, especially in physical terms. Warm praise should also go to Kathryn Evans as Lottie; to Martin Johns's designs; and to all of Michael Szeul's choreography. Some of the dialogue is weak and the show does wind down in its last quarter-hour. The hero of the show, beyond O'Connor and McGillin, is the composer and lyricist Jerry Herman, who has made slight revisions of his show for this revival. His decision to have a chiefly brass orchestra accompany the music gives *Mack and Mabel* a character all of its own.

Alastair Macaulay

Ballet/Clement Crisp

'Manon'

The Royal Ballet has a new *Manon*, a most promising *Manon* - in every sense of the word, since *Manon* is a secret as the Abbé Prévost and Sir Kenneth MacMillan tell us - a *Manon* to enchant the men on stage and those in the audience.

As a young soloist Sarah Wildor caught our attention by the quiet distinction of her dancing: amid flummery and fluster in *Ballet Imperial*, her beautiful head, exquisitely balanced torso, seemed the redeeming feature of a performance. A debut as Juliet was splendid; a first *Giselle* impressive in emotional range.

On Tuesday night, Miss Wildor made her second appearance in the current run of *Manon* performances at Covent Garden, and was touchingly good.

She conveys at her first appearance the exact and magical balance between innocence and sensuality, and the tarnishing of her girlish eagerness

- money the only protection she understands - is admirably shown. MacMillan delighted in the character. In the extraordinary gallery of female portraits he gave us, *Manon* is the most bewitchingly shown on choreographic terms. She is the most delicate, most sensuous, rather than sexually charged as is Mary Vetsera, or impetuous, like Juliet.

Miss Wildor brings a great deal to the role. She is unfailingly intelligent in playing, and her beauty - how well the grand clothes become her; how Boucher-like her amorous poses - justifies every least action. If I have a reservation about this early reading, it is that she does not yet explore all the possibilities of the dance itself.

She plays with sweetness and ease, carrying each scene (as she needed to on Tuesday, when surrounded by a cast of shop-window dummies) securely. Her arms and torso

are ravishing, curving through and round the choreography, but there are delicacies of footwork, sheer prettiness of step, which are unexplored. That will come, and then we shall have a complete and lovely portrayal.

I do not believe, though, that *Manon* can survive if it is so grudgingly cast. Zoltan Solymosi, splendid partner, was no more than a rough sketch of des Grieux. William Trevitt lacks the charm for Lescart, who is certainly a mean-spirited brute, but whose physical allure (remember David Wall's irresistible rogue?) is a weapon in his fight for survival. The drunk dust, with a hoyden mistress, was no joke. Gary Avis looks too young for Monsieur G.M.'s choleric sexual drive and social arrogance - a boy doing a man's job. MacMillan's choreography demands intense emotional playing to shape each phrase of movement and sustain the least moment. These performances failed on every count. Miss Wildor deserves better.

There was a flurry of old modernisms to be heard last weekend. From Glasgow on Friday, Radio 3 broadcast a live concert version of Gavin Bryars' 20-year-old "opera" *Medea*, a case of early, tentative British minimalism (after the Americans). On the South Bank on Sunday, Markus Stenz and the London Sinfonietta gave us crystalline performances of Anton von Webern, who was widely thought of in the 60s and 70s as the definitive modernist composer, and also two recent British pieces, quite different.

And earlier that day, the pianist Emanuel Ax chose to begin his otherwise easy-on-the-ear Barbican recital with Aaron Copland's 1930 *Piano Variations*: tough and spiky, but without doubt seminal. In their cogent, stripped-down economy, they bear comparison with Bartók's 1926 Fourth Quartet; no composer of the time could have failed to hear that something newly rigorous and pungent was going on. Ax brought them to gritty life, with a sure instinct for their crucial rhythmic springs.

Music/David Murray
Old modernisms

The rest of his programme went down pleasantly, with fine musical insights: Schubert and early Brahms (his Second Sonata, less flamboyant than the composer-platist would have made it), and then Ravel's "noble and sentimental" waltz-set - in which Ax identified the extreme harmonic subtleties with rare precision - as an oblique prelude to familiar waltzes by Chopin and Liszt. Stenz conducted the reduced, cut-rate version of Webern's Six Pieces op. 6 as much effect as its meagre chamber ensemble permits. The op. 24 Concerto for nine instruments and the cantata *Das Augenlicht*, with the intrepid Sinfonietta Chorus, seemed pristine: coolly balanced and measured, hermetically self-contained, transparent but astonishingly dense. That did no favours to Robert Saxton's 1992 trumpet-concerto *A Song of Ascents*, which despite John Wallace's eloquent advocacy again sounded like fervent, sincere

intentions diffusedly realised.

Arriving early at the Queen Elizabeth Hall, I had walked into a sea of softly mooring French horns in the foyer - 25 or 30 of them, in antiphonal groups. That proved to be Simon Bainbridge's contribution. *Cells, Echoes and Clouds*, to the South Bank's "Contemporary Horn" weekend, devised for and with young players from around the country. It was a spur-of-the-moment offshoot from his new horn concerto *Landscape and Memory*, which we heard in the concert proper: plangent and melancholy, not really "modernist", but tainted by economical devices like Copland's and Bartók's. Thus it contrives to be both laconic and expansive, with the ingenious addition of a second horn back in the hall lears. This *Medea* score was bizarre enough to serve Wilson's stage purposes, but as concert-music it sounded thin, amateurish and unconsciously protracted.

Webern's would not suit Bainbridge's backward-yearning intentions.

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INTERNATIONAL
ARTS
GUIDE

AMSTERDAM

OPERA
Het Muziektheater
Tel: 31-20-5519922
● Die Zauberflöte, by Mozart.
Conducted by Hartmut Haenchen and performed by De Nederlandse Opera: 7.30pm; Dec 1, 4, 7, 10 (1.30pm), 12, 14, 17 (1.30pm), 19, 22, 25 (1.30pm), 28

BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203022100/01
● Rundfunk-Sinfonieorchester Berlin: conductor Elgar Howarth, the Tölzer Rundfunkchor, soprano Jane Marshall, Knabenchor, soprano Jane Marshall, and baritone David Wilson-Johnson perform Britten's "War Requiem": 8pm; Nov 10

BIRMINGHAM

CONCERT Symphony Hall
Tel: 44-121-212333

● Oslo Philharmonic Orchestra: with conductor Paavo Berglund and pianist Havard Gimse perform works by Beethoven, Grieg and Nielsen: 8pm; Nov 30

CHICAGO

CONCERT
Orchestra Hall Tel: 1-312-435-6666
● Chicago Symphony Orchestra: with conductor Pierre Boulez perform Mahler's "Symphony No. 9": 8pm; Nov 30; Dec 1 (1.30pm), 2, 5 (7.30pm)

COPENHAGEN

OPERA
Det Kongelige Teater
Tel: 45-33141002
● Il Barbiere di Siviglia, by Rossini. Conducted by Andrew Greenwood, directed by Holger Boland and performed by the Royal Danish Opera. Soloists include Guido Paavola, Joergen Ole Boorch, Inger Dam-Jensen, Elisabeth Halling, Bradley Williams and Gert Henning-Jensen (from Dec 5); 8pm; Nov 10, 13, 15, 20, 22, 24, 28; Dec 1, 5, 16 (1pm), 28

DUSSELDORF

CONCERT
Toshka Düsseldorf
Tel: 49-211-8982081
● La Stravaganza Köln: with conductor and violinist Andrew Maritz perform works by Telerman and

Bach: 8pm; Nov 30

HAMBURG

EXHIBITION
Museum für Kunst und Gewerbe
Tel: 49-40-24862732
● Magnum Cinema - Ein halbes Jahrhundert Kino in Photographien: photos devoted to the film industry by Magnum, the Paris agency founded in 1947. Works by photographers such as Eve Arnold, each phrase of movement and sustain the least moment. These performances failed on every count. Miss Wildor deserves better.

OPERA
Hamburgische Staatsoper
Tel: 49-40-331721
● Elektra, by R. Strauss. Conducted by Stefan Sothens and performed by the Hamburg Oper. Soloists include Livia Budai, Gwyneth Jones, Luana DeVol, Horst Hiestermann and Harald Stamm; 8pm; Nov 30

LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● Royal Scottish National Orchestra: with conductor Walter Weller and pianist Grigory Sokolov perform Brahms' "Piano Concerto No. 1" and Dvorák's "Symphony No. 5": 7.30pm; Nov 10
● Solti Celebrates Bartók: London

Symphony Orchestra with conductor Georg Solti, pianist André Schiff, soprano Julia Varady and bass Leszlo Polgar perform Bartók's "Piano Concerto No. 2" and "Duke Bluebeard's Castle" (sung in Hungarian): 7.30pm; Nov 30

EXHIBITION
British Museum
Tel: 44-171-6381555
● Recent Acquisitions of Prints and Drawings 1951-1995: this display shows some of the gifts and purchases that have been added to the collection of the Department of Prints and Drawings over the past five years. Including a double-sided sheet by Marco Zoppo, made in Padua in the 1450s, and four drawings purchased after the sale from the collection at Holkham in Norfolk; from Nov 10 to Apr 21

THEATRE
Barbican Theatre
Tel: 44-171-6388891
● Henry V, by Shakespeare. Directed by Matthew Warchus and performed by the Royal Shakespeare Company; 7.15pm; Nov 10, 11 (also 2pm), 15, 16 (also 2pm)
The Pit Tel: 44-171-6388891
● The Park, by Strauss. Directed and designed by David Fielding and performed by the Royal Shakespeare Company; 7.15pm; Nov 10, 11 (also 2pm)

MUNICH

OPERA
Nationaltheater
Tel: 49-89-21851920

● Die Zauberflöte, by Mozart. Conducted by Peter Schneider and performed by the Bayerische Staatsoper. Soloists include Kurt Moll, Gösta Winbergh, Helen Kwon and Ruth Ziesak; 7pm; Nov 30; Dec 3, 7

NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-525-6000
● New York Philharmonic: with conductor Yuri Temirkanov perform Rimsky-Korsakov's "Russian Easter Festival Overture", Ravel's "Suite from Mother Goose" and Rachmaninov's "Symphonic Dances"; 8pm; Nov 30; Dec 1 (2pm), 2
● American Symphony Orchestra: with conductor Leon Botstein perform Bruch's "Odysseus"; 8pm; Nov 10
Carnegie Hall Tel: 1-212-247-7800
● The New York Pops: an evening with Cleo Laine and John Dankworth; 8pm; Nov 10

OPERA
Metropolitan Opera House
Tel: 1-212-525-6000
● In Ballo in Maschera, by Verdi. Conducted by Mark Elder and performed by the Metropolitan Opera. Soloists include Sharon Sweet, Dolora Zajick and Francisco Araiza; 8pm; Nov 10, 14, 18 (1.30pm), 21, 25; Dec 1, 5 (7.30pm), 9, 14
● Il Barbiere di Siviglia, by Rossini. Conducted by Adam Fischer and performed by the Metropolitan Opera. Soloists include Jennifer Larmore and

Richard Croft; 8pm; Nov 30

PARIS

CONCERT
Théâtre du Châtelet
Tel: 33-1 40 28 28 40
● Ensemble Intercontemporain: with conductor Pierre Boulez, soprano Susan Anthony and the Deutsche Kammerphilharmonie perform works by Berg, Webern and Schoenberg; 8pm; Nov 10

VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● ORF-Symphonieorchester: with conductor Dennis Russell Davies, alto Dagmar Peckova, baritone Boje Skovhus perform works by R. Strauss and Hindemith, in honour of the centenary of Hindemith's birth; 7.30pm; Nov 10

THEATRE
Burgtheater Tel: 43-1-514442960
● Die Fieslen vom Berge, by Prandelli. Directed by Strahler, Brookhaus, Frigeno, Spinatelli, Carpi and Fleich; 8pm; Nov 30

WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4800
● National Symphony Orchestra: with conductor Marek Janowski and pianist Joseph Kalkstein perform Beethoven's overture to "Egmont", "Piano Concerto No. 4" and "Symphony No. 6"; 8.30pm; Nov 30; Dec 1 (1.30pm), 2

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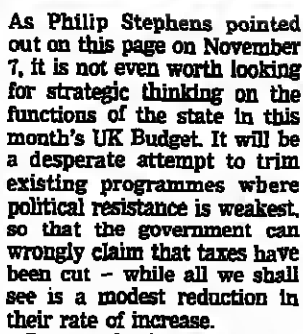
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COMMENT & ANALYSIS

Economic Viewpoint • Samuel Brittan

No, not the next Budget

Fundamental reform of the welfare state is fashionable. But reformers disagree on whether it could be both improved and made cheaper at the same time



As Philip Stephens pointed out on this page on November 7, it is not even worth looking for strategic thinking on the functions of the state in this month's UK Budget. It will be a desperate attempt to trim existing programmes where political resistance is weakest, so that the government can wrongly claim that taxes have been cut - while all we shall see is a modest reduction in their rate of increase.

But pre-election budgets are not the end of all thinking. In the last few weeks I have been present at discussions of reform plans which were seemingly very different, but which have at least some insights in common. One of the sessions related to a new book by James Meade, the British Nobel prize-winning economist. His new publication is entitled *Full Employment Regained* (Cambridge University Press). While the general outlines will be familiar to readers of his previous publications, there are, as always, new insights, policy suggestions and improvements in exposition.

The other economic reformer, whose ideas were discussed on a recent visit to London, is Sir Roger Douglas. He is the former Labour finance minister whose measures to liberalise the New Zealand economy have been a model for other countries. Douglas has since fallen out with the New Zealand Labour party which was unwilling to continue along this road and has now formed his own political group. Although it is so far accounts for only 3 per cent of the electorate, who knows how much influence it may one day come to hold under New Zealand's new proportional representation system?

Douglas's proposals are contained in *Unfinished Business* (published by New Zealand Random House and available in the UK from Simon Walker at Brunswick Public Relations). Douglas still boasts that he comes from three gen-

erations of Labour politicians and that he is mainly guided by the desire to help the disadvantaged who have not participated in general prosperity. Having represented one of the poorest of New Zealand's constituencies, he insists that the poor are just like the rest of us, responsive to incentives and opportunities and eager to learn and work, if given the slightest encouragement. Fairly or unfairly this motivation sounds more convincing coming from him than from any Tory or Republican "right-wing radical".

There is a world of difference between the approaches of the two reformers. Meade has all his life believed in a judicious mixture of planning and the price mechanism, using the latter as an instrument of the former. But his reaction to what he perceives as the negativism of 16 years of Conservative government, has caused him to swing a little towards the planning side of the twine. For instance, he proclaims in his conclusion that the simplified model of his book makes use of no fewer than 21 macroeconomic control variables and institutional changes.

The consensus at the Meade meeting was that his proposals presupposed a generosity

towards some of the less fortunate members of society and those prone to opt out of it, for which the rest of us would have to pay - not only in tax, but perhaps in reduced overall work effort and lower measured national income.

Douglas, on the other hand, wants to roll back the state much further. He envisages a balanced budget after three years of his plan and the total elimination of government debt within 20 years. (So does Meade for different reasons.) Within that period personal income tax and company tax will be eliminated, while other indirect taxes will be greatly reduced. On the other side of the account, government expenditure is reduced in real terms by more than 30 per cent in the first 10 years.

Unlike most of those who talk in this way, Douglas has detailed plans for achieving his results in which he has been aided by number crunching experts. It has to be said however that his treatment is so embedded in the recent political history of New Zealand and its fiscal system that it would take a team from the British Institute for Fiscal Studies quite a time to assess what they amount to and translate them into terms that non-New

Zealanders could understand. Meade's concerns are different. He would like a return to active government management of demand, if only in nominal terms (cash flow). Douglas, on the other hand, is content with the price stability framework established by the inflation contracts between the Reserve Bank and the New Zealand government and legislation in his country for a structural budget balance.

And yet, there is a kernel of thinking in common between Douglas and Meade. Meade has always insisted that if people are to be priced into work, whether through free market forces or direct intervention, there must be an adequate safety net for those whose earnings in the market place do not provide a reasonable standard of living. Douglas says something very similar, insisting that a Guaranteed Minimum Family Income (GMFI) is at the "kernel" of his proposals.

The chart is a very simplified attempt to show what an income guarantee might look like. The unit of measurement relates to proportions of average income. The horizontal axis shows original income, from work, property earnings or whatever. The vertical axis shows net take-home pay. Someone with zero original income receives a "negative income tax" payment amounting to, say, one-third of average pay. But as he moves back into work, two-thirds of every pound of benefit is reduced for every pound he earns. (The 45 degree line shows what would happen if a citizen kept all of every extra pound he earned. The flatter the net income line, the steeper the withdrawal or tax rate.)

Thus when he is earning one-half of average income, he receives nothing from the state and pays no tax. After that a normal rate of income tax is imposed of one-third on every pound he earns. Meade also has some higher rates of tax further up the scale, but

these are not essential to the argument.

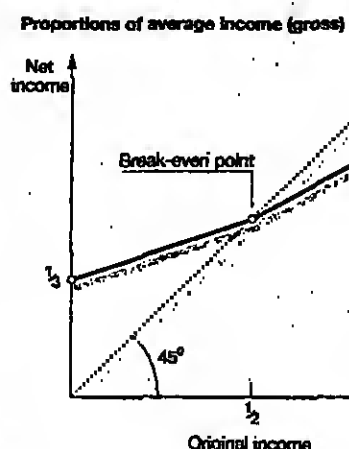
The Douglas version consists of cash top-ups for households on low income. Unemployment benefit would presumably be financed from the private insurance which he would make compulsory. His arithmetic could well hold in the UK the great bulk of benefits is devoted neither to the unemployed nor to top-up payments for the low paid, but to payments to the elderly and long-term sick together with universal child benefit.

The most important reason why the Douglas proposals point to a diminishing tax burden, while the Meade proposals involve an increasing one, is that Douglas envisages the state partially withdrawing from the traditional welfare state area. He suggests compulsory minimum levels of insurance for health and social security, with the state paying the premiums of the poorest. Education would be financed from vouchers whose value would taper off for the middle and upper income groups.

We have not had an honest debate on whether such ideas are either feasible or desirable. One reservation is that if people pay much lower taxes but have to make deductions for insurance, school fees, health plans and the like they are not going to end up with much higher income to spend at their discretion.

So we are left with the question of whether people would still feel untaxed income to be theirs, even if they are compelled to devote some of this income to provision for their own long-term needs. And will this sense of higher income at the margin, if it is there, translate into greater willingness to acquire skills and accept jobs at the going rate instead of contributing to the dependency culture? Despite the enormous emotions and political prejudices involved, these questions are amenable to research.

Effects of tax and benefit



James Meade



Roger Douglas

Pfizer forum

The UK's Independent Healthcare Sector: Key to Reform?

BY DR TIM EVANS

With the policy debate focused on the NHS, the UK's private health care sector is often overlooked. A policy expert and spokesman for independent health-care providers argues that this growing private sector holds the key to health care reform in Britain.

While the UK is famed for its NHS, less is known of its private, or independent, sector. Indeed, there has been a tendency for governments and others to neglect the contribution that it makes to the health of the nation.

Today, the UK's independent health and social care sector employs nearly 450,000 people and provides over 400,000 beds for treatment and care. For every two people the NHS employs, the independent sector now employs one.

The sector's turnover is roughly £13.1 billion per year or 24% of all spending on health care. And the services available include: acute hospital care, long term nursing and residential care for the old or mentally ill, acute psychiatric care, including drug and alcohol abuse rehabilitation, and health screening, 69% of all health Research and Development is funded independently of government.

The sector provides 20% of all elective surgery, including, for example 20% of all coronary heart bypass operations and 30% of all hip replacements. The operations performed range from the simple to the very complex. 25% of surgical procedures reported in a recent survey were classified as "major" or "major complex", and 27% were classified as "minor". The remaining 48% were described as being "intermediate".

The independent sector provides 74% of all long-term nursing and residential care and is diverse, offering: nursing convalescence, respite and rehabilitation care to a wide range of client groups including the elderly, the elderly mentally ill, the physically disabled, and children and adults with learning difficulties. Some homes offer specialist care in the fields of head injury or challenging behaviour. The sector is moving into other innovative forms of

care, including: domiciliary, day and respite services, which enable people to be cared for in their own homes as well as providing relief for caring relatives.

Again, the proportion of psychiatric services provided by the independent sector is growing rapidly. There are now 69 independent acute psychiatric units in the country which represent a six fold increase since 1980. 28% of consultant psychiatrists admit patients to independent sector facilities.



des, and virtually all substance abuse services are now provided independently.

Medical care in the independent sector, as in the NHS, has to be paid for. It is clear, however, that taking out insurance against medical costs is no longer the exclusive luxury of the rich.

Around 6.7 million people have medical insurance and a further 3 million people have health insurance which pays out cash benefits when they are ill and need treatment.

Together, 9.7 million people have some kind of medical or health insurance. That is more people than belong to trades unions or regularly attend church. Indeed, there are yet more people who simply pay for care as and when they require it. In terms of total expenditure, independent health and social care is comparable to all consumer spending on DIY or car air travel.

Ten million people are taking it upon themselves to help fund care in the UK today. This includes many ordinary families just seeking the best for themselves

and their children. In the South East of England nearly one quarter of the population has medical insurance.

Today, it would require something in the order of the equivalent of 3 or 4 percent on the basic rate of Income Tax simply to replace current private spending on the NHS and other statutory Local Authority services. However, even this figure understates the true cost, as it does not take into account the Corporation Tax, VAT, and

other taxes paid by independent health and social care organisations which would otherwise be lost to the public purse. Realistically, an increase in the order of 5 pence on the basic rate of Income Tax would be required to replace independent health and social care with government spending.

People in the UK are clearly willing to spend their money on their own healthcare, and a system that discourages them from doing so merely places a greater burden on the NHS. Indeed, any government committed to increasing health and

social care spending has to look seriously at non-governmental expenditure as the only viable way forward.

Dr Tim Evans is public affairs manager for the Independent Healthcare Association. The article is excerpted from a paper prepared for the Fraser Institute, a Canadian "think tank".

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Pivotal role of aid in creating economic growth

From Mr Frank Vogl

Sir, Michael Prowse correctly asserts that the US Congress's cuts in funding for the International Development Association (the World Bank's soft loan arm) are indefensible ("The assault on aid", November 6).

But he then voices the fashionable arguments that suggest that aid is of marginal significance. For example, that Britain's industrial revolution was not aided by the World Bank and International Monetary Fund, but he omits the fact that the revolution took generations to develop and secure broad-based social benefits for all British citizens.

By contrast, thanks to a degree to IDA lending and advice, South Korea has moved from being one of the poorest developing countries to one of the most successful within 30 years. The IDA was absolutely pivotal in many areas of China's dramatic economic and social reforms throughout the 1980s, which contributed to extraordinary growth and the reduction of the number of people in absolute poverty from around 200m to about 50m in a single decade.

The excellence of World Bank advice, plus World Bank loans, contributed to the dramatic turnaround in economic policies, performance and creditworthiness in Latin America

in recent years. India's agricultural revolution and, more recently, its significant moves towards more liberal economic policies have been supported by formidable staff work, supplemented by lending, by the World Bank.

Contrary to Mr Prowse's claims, there are many of us who support aid who feel that many domestic social programmes urgently require reform.

And, contrary to another of his claims, many of us have taken our lead from World Bank economists over the years and become ardent advocates of trade liberalisation. We even are keen to admit that aid has failed in many

instances and been mismanaged in some.

But the benefits of aid are not overlooked. The IDA, for example, has been at the forefront of programmes of education and healthcare that have produced long-term benefits for hundreds of millions of people. The Congressional cuts in funding for the IDA are a scandal.

It is imperative that the UK, the other EU countries and Japan step forward and increase their IDA contributions to offset the US reductions.

Frank Vogl
1100 New Hampshire Ave NW,
Washington DC 20037-1501, US

Light in dark environment

From Mr P.J. Anders Linder

Sir, I always enjoy reading Samuel Brittan's articles, but I read his piece about whether lighthouses should be privately or publicly owned ("Symbolism of light towers", November 6) with particular pleasure. Why? Because Timbro, the organisation I work for, is a Scandinavian's biggest free market think-tank, and h) uses a lighthouse as its symbol and logo.

In spite of the latter, I admit that demands for privatisation of lighthouses are far from the top of our agenda. There are more urgent problems for a Swedish liberal to worry about. But we enjoy pointing out that markets have, as Samuel Brittan wrote, "many more possibilities than their critics suppose", and we like to regard our activities as an attempt to provide light in a dark and difficult environment.

P.J. Anders Linder,
senior vice president,
Timbro,
Grey Turegatan 19,
S-102 45 Stockholm, Sweden.

Where UK legislative power really lies

From Dr Martin Smith

Sir, By focusing on the activities of MPs as paid parliamentary consultants, the debate on Lord Nolan's recommendations has served to perpetuate the myth that the House of Commons is seriously influential in the moulding of British laws and regulations. It is not. As far as most business interests are concerned real power

resides in Whitehall and Brussels, and not necessarily in that order.

You are right to stress in your leader "Restoring faith in parliament" (November 8) that MPs have allowed themselves to become marginalised in the law-making process. Thoroughgoing procedural reform is needed at Westminster to ensure there is effective scrutiny of the actions of the executive and informed, considered discussion of draft legislation.

Who will lead this crusade?

Martin Smith,
chairman,
Government Policy Consultants,
29 Tufton Street,
Westminster,
London SW1P 3QL, UK

'Gold plating' of EU legislation must be halted

From Mr Bryan Cassidy MEP

Sir You rightly highlighted ("Implementation of EU law 'over-zealous'", November 8) unnecessary burdens imposed on British companies. For some time now the British government has been concerned about this "gold-plating" of EU legislation by British civil servants, but this malpractice still persists.

Businesses must insist on officialdom providing a written specification of work required, along with a precise statement of the regulations that are applicable. They should resist

those local officials, such as environmental health officers, who claim to be enforcing "EU rules". We must remind local bureaucrats that their job is to enforce British regulations.

I suggest that the House of Commons should take a much closer interest in the processes by which a European directive becomes law. The principal way in the UK is by the use of statutory instruments under the European Communities Act 1992. These instruments are even laid before the Commons while it is in recess. This obviously leads to inadequate democratic scrutiny.

One method of stopping the British civil service urge to "gold-plate" European measures is for the Commons to scrutinise draft statutory instruments more rigorously. Politicians have to prevent bureaucrats exceeding the original requirements stipulated in European proposals.

Bryan Cassidy,
Conservative spokesman on economic and monetary affairs,
European Parliament,
Brussels, Belgium

Earlier constitutions offered Germany basis for its freedoms

From Mr Jürgen Bergs

Sir, In his magnificent review of two books on the German constitution, ("A constitution for coexistence", November 4/5) Malcolm Ruthford ends by saying of the

constitution: "Long may it last."

May I add that the German writers of the basic law took good advice from an earlier constitution.

They followed the lines of

Thomas Jefferson. Jefferson in turn paraphrased French and English philosophers such as John Locke, Adam Smith and Jean Jacques Rousseau.

So we enjoy the freedom of today only thanks to these Old

European writers and their universal ideas.
Long may they last.
Jürgen Bergs,
Laumitzer 26,
60594 Frankfurt am Main,
Germany

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Pharmacia reports weak third term

Pharmacia, the Swedish pharmaceuticals company which has just merged with Upjohn of the US to form one of the world's top ten drug groups, yesterday reported a SKr3.63bn (\$543.8m) profit for the first nine months, down 15.6 per cent from SKr4.3bn a year ago.

The results followed a weak third quarter when profits fell from SKr1.64bn to SKr1.58bn. The drop reflected increased research and development outlay, higher operating costs, weak underlying sales growth, and hefty one-off gains last year. Shares in Pharmacia & Upjohn, which have just begun trading on the Stockholm stock exchange, reacted badly to the figures, falling SKr9, or 4 per cent, to SKr218.5.

Group sales for the nine months - before the merger was consummated - fell 3 per cent to SKr18.4bn, although on an underlying basis they rose 2 per cent. Operating income, excluding one-off items, dropped from SKr3.58bn to SKr3.37bn, weakening the group's operating margin from 17.3 per cent to 16.8 per cent. Total operating income fell from SKr4.42bn to SKr3.42bn after a halving of third quarter income from SKr1.66bn to SKr1.44bn. Third-quarter R&D expenses were 15 per cent higher than a year ago and operating costs 3 per cent higher.

By Christopher Brown-Humes, Stockholm

Komatsu, Demag in joint venture

Komatsu and Mannesmann Demag, two of the leading names in heavy engineering, yesterday said they would create a joint venture with sales of about DM300m (\$212m) to build and market heavy excavators. Demag is already a leading maker of heavy excavators over 100 tonnes while Komatsu brings its worldwide marketing and distribution network to the venture.

Each company will hold a 50 per cent stake in the new company, which is to be called Demag Komatsu. Management control will be divided equally between the partners. The deal has yet to be cleared by the European Union competition authorities.

Mannesmann Demag, a division of the Mannesmann engineering and telecommunications conglomerate, is focusing on plant construction, plastics machinery and compressor technology. The new Demag is forecast to have sales of about DM5.5bn this year. Demag is a leading maker of heavy excavators - with about 25 per cent share of a world market worth about DM400m - but the company said it had turned to Komatsu because the Germans did not have the global marketing resources of the Japanese.

Mr Sakuru Anzaki, president of Komatsu, said the two partners were "made for each other". The companies said their clients were themselves consolidating and were increasingly looking for producers who could supply the entire range of machinery needed for mining from excavators to dump trucks and bulldozers. So far Caterpillar of the US is the only manufacturer able to offer such package deals.

Michael Lindemann, Düsseldorf

Currency swings and poor US sales hit Volvo

By Christopher Brown-Humes in Stockholm

Blame for Volvo's worse-than-expected nine-month figures fell firmly on the group's car division yesterday. Volvo Car Corp's operating margins are falling just when the business should be benefitting from higher volumes and an increased share of its main North American and European markets.

Some of the problems undoubtedly stem from more competitive industry conditions. Car sales are falling in the US and showing only weak growth in Europe and Japan. Volvo, like its rivals, has had to cut prices and increase marketing.

But VCC has also been hit by two other factors: unfavourable currency movements and unusually high product development costs before a spate of new model launches.

Currency movements alone

cost the group more than SKr1bn (\$150m). The strong German and Belgian currencies have increased the company's purchasing costs just as the weak dollar has hit income from sales in the US, the group's most important market.

The high product development costs reflect the group's ambitions to cut lead times significantly and to broaden and update its range by adding a more sporty, upmarket image to its reputation for safety and reliability. The group plans to add at least one new model a year and is aiming for annual sales of 500,000 cars by 2000, against 361,000 in 1994.

In September it previewed a new mid-size four-door saloon, a range that will eventually supersede the 400 series, and it is shortly to announce a five-door version of the same car.

VCC's high rate of spending is bound to re-open the debate about whether the group

should collaborate more extensively with another manufacturer to defray more of its costs, offsetting the disadvantages of being a relatively small, niche manufacturer.

Ever since plans to merge with Saab collapsed in late 1993, the group has struck rigidly to a position that it would collaborate with different partners on individual projects, rather than seek a broader tie-up with one manufacturer.

Mr Sören Gyll, Volvo chief executive, reiterated this yesterday. He stressed VCC was seeking to cut its operating expenses, but added that product development costs were necessarily high at this stage.

The hope is that VCC's performance will look very different from late 1994 onwards as sales of its new models start to show up in the company's cash-flow. If not, the group's go-it-alone strategy is bound to be questioned further.

See Lex, Page 16



Volvo's un-named four-door saloon: part of planned image update

Strong advance by Novo Nordisk

By Hilary Barnes in Copenhagen

Novo Nordisk, the Danish insulin and enzymes manufacturer, increased pre-tax profits at the nine-month stage by 33 per cent, from DKK1.34bn last year to DKK1.85bn (\$300.5m), and net profits by 29 per cent from DKK944m to DKK1.30bn.

The result was better than market expectations and the shares rose DKK15 to DKK708. The group raised its full-year forecasts, indicating pre-tax profits would rise 12 per cent, against its half-year forecast of 10 per cent.

The interim statement said net financial items and costs had developed more favourably than expected. Net financial income was DKK80m compared with a deficit of DKK135m last year. Operating profits (after depreciation) advanced 14 per cent from DKK1.38bn to DKK1.57bn, despite a DKK200m charge for restructuring.

Turnover advanced 3 per cent from DKK9.94bn to DKK10.27bn. Growth was adversely affected by the disposal, with effect from July 1, of the Ferrosan vitamins and dietary supplements subsidiary, and a fall in the average value of invoicing currencies by 5 per cent.

Licence fees and other income rose 39 per cent to DKK312m, half of which was from the anti-depressant Serenol, a product acquired when Novo bought Ferrosan in 1987. Costs were up 3 per cent to DKK9.01bn.

Health care sales were up 9 per cent to DKK7.31bn. Sales of diabetes care products rose 5 per cent to DKK4.95bn.

Components side sparks 26% surge at Siemens

By Wolfgang Münchau in Frankfurt

Siemens, the German electronics group, reported a 26 per cent rise in net profits to DM2.08bn (\$1.47bn) for the financial year to end-September, after a strong turnaround in its electronic components division.

With sales up 5 per cent to DM38.8bn, the company's provisional results were broadly in line with expectations.

A regional breakdown underlines the current diversity of views on the state of the German economy. Unlike other

German companies that recently reported strong demand from abroad and weakening demand at home, Siemens said yesterday: "Business gathered momentum again in Germany following two years of decline." Domestic orders rose 8 per cent to DM38bn.

The divisional breakdown of profits also showed a reversal of fortune among Siemens' divisions. Siemens Nixdorf Informationsysteme, the computer manufacturer, turned in a small pre-tax profit of DM62m, for the first time in four years, after a loss of

DM319m last year. Siemens said this was a result of "generally favourable economic trends in Germany and abroad".

The most spectacular turnaround came from the electronics component division, which includes semiconductors, and which increased profits from DM300m in 1993-94 to DM1.02bn. At a pre-tax margin of 14.2 per cent, components is now by far Siemens' most profitable division.

Mr Peter Thilo Hasler, analyst at Veritasbank Research, said: "This is a significant result and underlines the

strong growth in the market for components used in the telecommunications and the automotive industries." He said the strong growth in the mobile telephone market - with forecasts of a rise in annual sales from 27.9m now to 100m units in 2000 - underlined future growth potential.

The industry division also gained from rising sales and productivity, with operational profits up from DM119m to DM702m. The communications division, previously the most profitable sector, showed profits of DM144m, compared with DM1.13bn last time.

The transportation unit, which includes the ICE high-speed business, turned in a disappointing performance with a loss of DM18m, against a profit of DM20m last time. Profits of the medical division fell by more than half to DM10m.

Siemens said the D-Mark's strength had had a significant effect on results. Stripped of exchange rate effects, sales would have expanded 13 per cent rather than 5 per cent. US orders rose from \$7bn to \$7.5bn, which represented a decline if expressed in D-Marks from DM11.6m to DM10.8m.

Dutch paper group falls short of target

By Ronald van de Krol in Amsterdam

KNP BT, the Dutch paper, packaging and distribution group, posted a lower-than-expected rise in third-quarter net profits, as sharp fluctuations in waste-paper prices led to inventory writedowns and a squeeze on margins in the packaging sector.

Net profits rose from F1.98m (\$44.4m) a year ago to F11.6m, on sales up 16 per cent to F13.7bn. However, this figure was well below the F11.7m posted in the second quarter. It was also well short of analysts' forecasts, which had been as high as F15.8m.

Shares in KNP BT, whose chairman is Mr Robert van Oordt, fell heavily on the news, finishing the day at a 12-month low of F142.10, down 7 per cent from Tuesday's close of F145.30.

The main factor in the 1995 third-quarter was the drop in operating results in packaging from F1.6m to F1.3m, as operating margins were halved

from 7 per cent a year earlier to 3.5 per cent.

This in turn was caused by the sudden, strong rise in prices of waste paper - an important raw material in packaging products - in the early summer and the subsequent swift fall in prices later in the quarter. The decline was accelerated by customer stock reductions.

KNP BT, which built up waste-paper stocks as prices rose, was forced to write down their value substantially to reflect the new market price at the end of quarter. The company was unable to give an absolute figure for the amount of the write-down, but said: "We expect a clear recovery in [packaging] margins in the fourth quarter."

For the group as a whole, KNP BT forecast "considerably higher" fourth-quarter operating profits, producing "substantially higher" full-year net profits. Nine-month net profits surged 88 per cent to F1.394m.

In distribution, a broad sector covering paper distribution

COMPANY PROFILE

KNP BT

Market cap: 82.9 bn

Main listing: Amsterdam

Historic P/E: 44.9

Gross yield: 2.31%

Earnings per share: 3.0 (1994)

Current share price: F142.10

Share price relative to the Amsterdam AEX index

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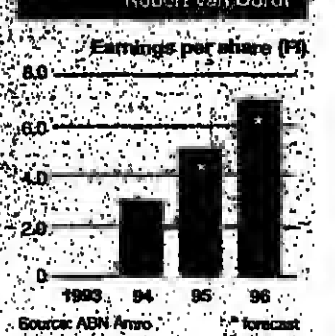
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Munich Re looking to expand abroad

By Andrew Fisher in Munich

Munich Reinsurance, the world's largest reinsurer, is looking at further expansion possibilities abroad, especially in south-east Asia, France and North and South America. Mr Hans-Jürgen Schinzier, chairman, said yesterday.

However, Munich Re intended to continue growing through its own efforts and had no significant acquisitions in mind, "although you should never say never".

It would continue its greater stress on strictly profit-oriented growth at a time of increasing risks in the insurance world.

Mr Schinzier singled out China as a market with considerable long-term potential. Munich Re would open an office in Shanghai and also deal with China from Hong

Kong. But it was shifting the emphasis in south-east Asia from its Hong Kong operation to Singapore.

He also said Munich Re, which last year had gross premium income of DM28bn (\$20.5bn), should be bigger in the US. In South America, he saw growth possibilities in Argentina, Chile, Brazil and Peru.

He expressed confidence the group would this year earn a similar level of profit to 1994-95, when net income rose 8 per cent to DM325m. Shareholders have been promised a dividend increase from DM12 to DM13.50 for the year to June 30 1996.

Munich Re has been following a more selective business policy in view of the increasing occurrence of natural and other disasters. This has involving cutting exposure to

Munich Re

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94 percent of the material used in our products originates from wood. We use

equal proportions of fresh and recycled fiber in our products.

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Products which give our customers higher productivity, product quality and product safety. Not to mention, a higher quality of life.



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SCA's activities are conducted through three separate business areas: Hygiene Products, Packaging and Graphic Paper. Backing the business areas are the Group's vast resources for raw material supply. SCA's main markets are in Europe. The Group is active in some 20 countries and has 35,000 employees. The SCA share is listed on the stock exchanges in Stockholm and London.

INTERNATIONAL COMPANIES AND FINANCE

ASIA-PACIFIC NEWS DIGEST

PLDT ahead 41% at nine months

Philippine Long Distance Telephone Company (PLDT), the former state-owned carrier, lifted net profits 41 per cent to 4.66bn pesos (US\$179.7m) for the first nine months of 1995. The better-than-expected results lifted PLDT's shares by 35 pesos to 1,505 pesos at yesterday's close while the composite index rose by 0.62 per cent to 2,484 yesterday.

"PLDT comprises only 7 per cent of the index but it is a recognised market leader, so wherever it goes other stocks follow," said Mr Noel Reyes, an analyst at Dharmala Securities in Manila. The company said non-recurring gains from the initial public offering in July of its mobile phone subsidiary, the Philippine Telephone Corp (Pitel), accounted for the bulk of the increase. Earnings per share declined marginally to 48.9 pesos from 52.1 pesos when gains from the Pitel share offering were excluded.

Mr Antonio Samson, vice-president of PLDT, said the non-recurring revenue increase was in line with forecasts. Operating revenues grew 11.5 per cent to 18.2bn pesos on higher demand for long distance and local services. International calls, which contribute about 60 per cent of overall revenues, grew 8.8 per cent in the first nine months. PLDT also listed in New York, controls more than 80 per cent of the country's fixed telephone market, which has recently been opened to foreign competitors. *Edward Luce, Manila*

Teva sales and profits advance

Teva, the Israeli pharmaceutical company, reported an increase in profits and sales for the third quarter. The group, which this week announced plans to buy a 78 per cent stake in a Hungarian pharmaceutical company, reported record sales in the US, Europe and Israel for its line of largely generic drugs. Net profits were US\$21.6m on total sales of \$165.3m, compared with \$17.5m on \$143.5m sales in the third quarter of 1994. Teva, Israel's largest producer of pharmaceuticals, also announced a cash dividend of \$0.20 per American Depositary Receipt.

The agreement to buy a 78 per cent stake in Biogal Pharmaceutical Company for \$28m is contingent on the conclusion of a reorganisation plan for the Hungarian company. The stake would be part of Teva's expansion into eastern Europe.

Earlier in the quarter, it announced that the US Food and Drug Administration had accepted its application for Copaxone, a new multiple sclerosis drug, after having earlier rejected the application on technical grounds. The company's expansion plans hinge on the approval of the drug for marketing in the US and Europe. If Copaxone is approved, analysts forecast worldwide sales as high as \$300m-\$400m by 1998. *Mark Dennis, Jerusalem*

Hyundai Motor expects 31% rise

Hyundai Motor, South Korea's largest vehicle maker, said it expected a net profit of Won180bn (\$233m) in 1995, from Won136.8bn last year. The growth in net profit would be driven by increasing exports and new models at home, said Mr Kim Jong-hyok, general manager of Hyundai's export marketing team. He said total sales were expected to rise from Won9,050bn in 1994 to Won10,300bn this year.

Mr Chon Sung-won, Hyundai Motor president, said earlier that the company expected to export 460,000 vehicles this year, against 390,000 last year. The company's total production would be 1.3m units this year, after 1.15m last year. "We expect to achieve production of 2m units by the year 2000," he said. Mr Chon said the company's research and development spending was forecast to rise to 7 per cent of total sales in 2000, compared with 5 per cent now. *Reuters, Seoul*

Bajaj Auto lifts earnings

Bajaj Auto, India's largest manufacturer of scooters and motorcycles, recorded a 30 per cent rise in net profit to Rs1,78bn (\$51.5m) for the first half to September 30. Group sales also rose sharply, from Rs9,93bn in the same period last year to Rs12.81bn. The company produced a total of 621,498 two- and three-wheelers in the period, up 18 per cent from 531,039 in the same period last year. It sold 613,979 vehicles in the last six months, up 18 per cent. Exports during the period were valued at Rs32.1m, against Rs24.2m last time.

Although Bajaj Auto had declared a net profit of Rs1,78bn, the company said it was using a slightly lower figure to calculate its earnings per share. This was to provide for any adjustments to tax paid by the company last year. The adjusted figure worked out at Rs1,75bn, giving earnings per share of 33.9 rupees on an annualised basis.

Arvind Mills, India's leading denim manufacturer, which belongs to the Lalbhai group of companies, recorded a fall in first-half profits. Net profit dropped 22 per cent to Rs502.7m (\$14.55m), compared with the same period last year. The company said this was due to higher depreciation expenses, up 16 per cent to Rs230.5m. *AP-DJ, Bombay*

New World Development fall disappoints investors

By Louise Lucas
in Hong Kong

New World Development, the Hong Kong property-based conglomerate which recently spun off its infrastructure interests in a separate listing, yesterday reported a worse-than-expected 20.6 per cent fall in net profits, from HK\$4.3bn to HK\$3.4bn (US\$440m).

The decline was largely caused by a reduction in property sales. Group turnover fell from HK\$18.9bn last time to HK\$17.46bn.

Investors, who have been

selling the stock in recent weeks, yesterday marked the share price down 1.9 per cent to HK\$28.25. The blue-chip Hang Seng index, which on Monday reacted badly to reported earnings from China Light and Power, the electricity supplier, tumbled 1.75 per cent yesterday to 9,562.45.

New World's earnings per share fell 20.2 per cent, from HK\$2.57 to HK\$2.06, on a fully diluted basis. The directors are proposing the final dividend be held at 78 cents.

The sluggish property

market, which New World believed had yet to recover, had curbed its sales, although the progress of pre-sales at some developments was "satisfactory".

On the plus side, home buyers were focusing on the primary market, where discounts, perks and top-up mortgage loans were available, and prices were becoming more affordable, said Mr Henry Cheng, managing director. The residential market was reckoned to have fallen by between 20 per cent and 30 per cent from the peak last year.

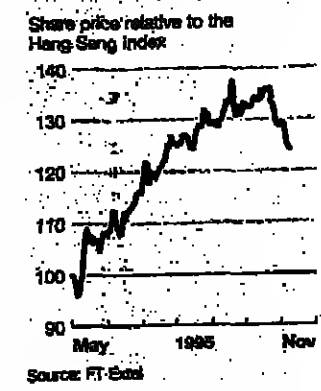
However, the company did not mention its residential development in Discovery Bay, a largely middle-class enclave on Lantau island. Analysts believe the company is still holding a substantial number of units, after pitching the price at a premium of about 24 per cent to similar flats on offer at the same time.

New World is one of Hong Kong's biggest investors in China and is active in commercial and residential developments, government housing projects and city core redevelopment.

It has 30 commercial and residential developments on the mainland, but warned that China's property market was undergoing some consolidation in its transition period. The group was monitoring the situation to ensure that it could capitalise on all future opportunities.

Since the end of the financial year the company has spun off both its infrastructure interests, which raised HK\$1.5bn, and its hotel interests, which grossed US\$172m from a flotation on Wall Street.

New World Development

Gencor seeks a new crock of gold
SA mining house is moving away from its traditional base

Mr Brian Gilbertson, Gencor chairman, has concluded many deals much larger than this week's announcement of the sale of four gold mines to Randgold, but few can rival it for symbolic importance.

Divestiture on this scale from gold is without precedent in South Africa.

It underlines the gold mining industry's parlous circumstances, as well as signalling a new phase in the management of the mining houses which have dominated the South African economy since the discovery of the Johannesburg gold fields in the 1890s.

The big step Gencor has taken is to acknowledge that it has better ways of investing its time and money than in supervising the graceful demise of ageing gold mines.

In itself, that may sound unremarkable, but it is a large step in an industry steeped in romance and history, where ceremonies marking 25 years service on the mines still remain an important annual event.

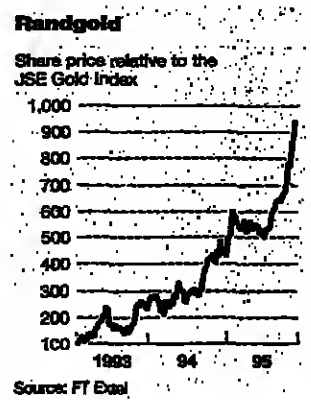
The mines are often in far-flung places without any physical, commercial or social infrastructure. The mining houses have had to provide these and in doing so develop towns whose existence is due to the presence of the mine.

So, for the good burgers of Buffelsfontein, Stilfontein, Grootevlei and Unisel, the four mines involved in the Gencor sales, Mr Gilbertson probably enjoys the status of traitor right now.

However, his reasoning is difficult to fault. "Gold has let us down. Everything else has met the mission requirement of real growth. Gencor's core business is world-class ore bodies. We would rather get on and do the things that can make a difference to our bottom line."

In fact, the catalyst behind the deal was not Mr Gilbertson, but Mr Peter Flack, the chairman of Randgold, who over the past year has been responsible for breathing new life into the moribund mines run by the then Rand Mines.

The two men have done business before. In 1993, Mr Flack took the faltering West Rand Cons mine off Gencor's hands,



Mr Flack says: "What mining houses are good at is discovering deposits and bringing them to account. I didn't think they were good at closing things, at rehabilitating them, and he agreed with me."

By dispensing with the mines' most significant overhead - the management contracts, under which mining house head office provides consulting services to its mines, for a fee - Mr Flack believes he is able to make these marginal mines more viable.

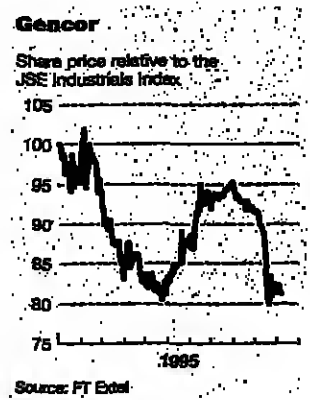
In this case, the price he had to pay for getting the two mines he wanted, Unisel and Grootevlei, was a package deal which involved taking Buffelsfontein and Stilfontein off Gencor's hands.

Mr Flack is buying Unisel and Buffelsfontein, Stilfontein, Grootevlei and Unisel, the four mines involved in the Gencor sales, Mr Gilbertson probably enjoys the status of traitor right now.

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gold mining arm, making only \$10m (\$2.7m) in the September quarter, its worst performance.

The first step, announced in July, involved dividing the group's international and local gold portfolio, with the exploration effort to be focused off shore.

More important, on the domestic front, the link between the head offices and the mines was changed, with much more autonomy given to mine managers.

"The days of head office speaks and everyone else salutes - that is gone," says Mr Gilbertson.

Management is also being restructured, with the head office complement halved and the number of vertical management layers between the chief executive and the face worker cut to five or six, from 11.

Operations are being restructured through a range of initiatives, including a move towards continuous production and productivity-based remuneration, aimed at extending

the life and improving the profitability of the mines.

While gold is the current focus, the restructuring of Gencor is but one strand in Mr Gilbertson's efforts to have Gencor recognised as one of the world's leading natural resource groups.

Since taking over as chairman in 1992, he has made rapid progress.

First, Gencor unbundled, divesting itself almost entirely of its industrial investments. It acquired Billiton in 1994, the company which held the natural resource assets of Royal Dutch Shell, lifting its offshore presence. The same year saw it acquire the coal interests of Rand Mines and in June this year announced Gencor and Lonrho planned to merge their platinum interests.

Gencor has been investing heavily in the Columbus stainless steel development, and the Alusud aluminium project, two of the largest industrial undertakings the country has seen. Both represent an important break from the group's past of developing deep-level gold mines.

While 45 per cent of cash earnings last year came from outside South Africa, international shareholders still hold only 7 per cent of the group's stock. This is a gap Mr Gilbertson would like to close.

He wants to raise Gencor's profile in the international capital markets and speaks wistfully of how RTZ and CRA tapped two capital markets in their recent merger deal.

"If we want to be able to undertake these big deals, we can't afford to be viewed as an odd South African company in the emerging market index," he says.

Mr Gilbertson argues that international investors need to look at Gencor in terms of the quality of its assets, rather than where its head office is based.

Asked how he might close this gap, he replies, with an impish smile: "I bought BHP [the Australian resources group], for example."

Even if spoken in jest, his reply is sufficient confirmation that Gencor's global plans are far from complete.

By Nikid Tait
in Sydney

TNT, the Sydney-based transaction group, and Air New Zealand indicated yesterday that talks about a "progressive sale" by TNT of its 50 per cent holding in Ansett, the Australian airline, to the New Zealand group were making headway. They said an announcement could be made shortly.

But Mr Fred Millar, TNT's chairman, warned that the Australian airline was unlikely to make an operating profit in the current financial year.

Both TNT and Air NZ held annual meetings yesterday, and told their shareholders they had hoped to seal the share sale deal in time for the meetings.

In Sydney, Mr Fred Millar said he regretted that this had not been possible, but did not explain the delay. However, in Auckland, Mr Bob Matthew, his Air NZ counterpart, said that "much progress" had been made in the talks.

"There are a few matters outstanding which I hope will delay an announcement only a few days," Mr Matthew said.

The possible sale by TNT of part of its holding in Ansett follows abortive discussions earlier this year between Air NZ and Ansett's other half-owner, Mr Rupert Murdoch's News Corporation.

The Australian government decided unilaterally in late-1994 to abandon moves to a trans-Tasman "open skies" regime. This denied Air NZ access to the Australian domestic market - which remains a duopoly between Ansett and the now-privatised Qantas.

Mr Millar warned yesterday that there was little chance of Ansett making an operating profit in the current year.

He blamed the poor 1994-95 results - which saw after-tax equity consolidated profits fall from A\$151.6m to A\$61.6m (US\$38.8m) - on marketing efforts by Qantas before privatisation.

Problems stemming from the new runway system at Sydney airport, and the start-up losses in Ansett's international business, were other factors.

Ansett planned to acquire aircraft, especially wide-bodied aircraft, "to improve its competitive position and to cope with the continuing problems of Sydney airport". But "the delays in acquiring such aircraft are likely to prevent Ansett making an operating profit this year."

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He said it was difficult to predict the situation at the end of 1995-96. But if negotiations over the sale of TNT's stake were successful, "the board might possibly be in a position to recommend resuming payment of ordinary dividends".

TNT announced first-quarter profits after tax but before abnormal gains of A\$840,000 (US\$481,000), down from A\$14.2m a year ago, after poor results from Ansett, the Australian airline.

The figures to end-September are struck on an equity-consolidated basis. Revenues were up from A\$1.65bn to A\$1.81bn.

TNT did not break out the contribution from Ansett, but said that on a non-equity consolidated basis (stripping out the Ansett impact) its pre-abnormal profits would have risen from A\$4.97m to A\$12m.

"The equity consolidated results are affected by a large deterioration in the operating

TNT-Air NZ talks 'making progress'

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"The equity consolidated results are affected by a large deterioration in the operating

Carter Holt reports 33% rise

By Terry Hall
in Wellington

Carter Holt Harvey, the New Zealand forestry group, lifted earnings by 33 per cent to a record NZ\$27.1m (US\$17.7m) for the six months to September 30, helped by strong pulp and paper prices.

The price rises more than offset lower profits for the company's wood and building products divisions in both Australia and New Zealand, directors said.

The company, controlled by International Paper of the US, recorded an 82 per cent advance in earnings to NZ\$288m from its pulp and paper division before interest and tax. Average prices for pulp reached US\$875 a tonne, a 49 per cent increase on the

same period of last year. Earnings from the recently acquired Australian tissue and plywood operations of Bowater were included for the first time.

However, the forest and wood divisions saw earnings before interest and tax fall 17 per cent to NZ\$156m.

Mr John Foran, the newly-appointed chief executive officer, said the company's strong balance sheet and cash flow placed it in a good position to buy new businesses.

The company has said it intends to bid for a large area of North Island forest which the government has indicated it might sell over the coming months.

If successful, this would give Carter Holt Harvey control of 45 per cent of the North

Island's forestry resources. The company is considering expanding its Kiriwai and Whakarewa board mills, and its medium-density fibreboard plant in Nelson.

Group turnover rose 19 per cent to NZ\$1.5bn while tax was NZ\$64m against NZ\$62m last time, representing an overall tax rate of 31 per cent.

Equity earnings from associated companies, mainly the Chilean company Copco, rose 68 per cent to NZ\$123.7m. Since March 31 equity as a percentage of total assets has risen from 62.7 per cent to 68 per cent.

Mr Foran said the building business was expected to improve during the second half of the year, and better returns were also expected from its packaging subsidiary.

Indosat turns in 55.2% improvement in third quarter

By Manuela Saragosa
in Jakarta

Indosat, the Indonesian state-controlled telecommunications company which was partially listed in New York and Jakarta in October last year, said its third-quarter net income rose 55.2 per cent on the same period last year.

This was in spite of slower growth in national traffic and increased competition in providing international telephone services.

Net income rose to Rp121.6bn (\$33.3m), up from Rp78.4bn in the third quarter of 1994, while operating revenues in the third quarter this year rose 17.9 per cent on the comparable 1994 figure, to Rp237.7bn.

Indosat said its international telephone traffic grew by 16.3

per cent in the nine months to September this year, slightly below its expectations.

The company faces growing competition from Satelindo, another Indonesian satellite telecommunications company in which it owns a minority stake, along with Deutsche Telekom's subsidiary DeTe Mobil.

Indosat and Satelindo compete in providing international direct dial services but competition is limited to marketing rather than pricing.

Indosat executives said Satelindo had won about 4 per cent of ongoing telephone traffic and 1.25 per cent of incoming traffic. However, Indosat's incoming and outgoing paid minutes for the third quarter increased by 18.3 per cent and 10.8 per cent respectively.

The company said Rp9.5bn

had been spent on marketing activities in the first nine months and that by the end of this year it would have spent between Rp12bn and Rp15bn.

Separately, the company said it had yet to select a foreign international telecommunications company to take a stake in Telkom, the GSM mobile phone service which it owns along with PT Telkom, the domestic telecommunications group which will be listed in Indonesia, New York and London this month.

However, Indosat confirmed that a domestic company was also negotiating to take a stake in Telkom. Indonesian newspapers have reported that Mr Hutomo Mandala Putra, one of President Suharto's sons, with his business partner Mr Setiawan Djody, are poised to buy into Telkom.

International telecoms companies, including PTT Telecom of the Netherlands, have placed bids to take a 20 per cent stake in Telkom.

The foreign strategic investor is expected to provide technical know-how, technology and marketing expertise.

It is not clear what benefits Mr Hutomo would bring to Telkom. He controls the Humap Group, an infrastructure-petrochemicals conglomerate. A winner for the stake is expected to be announced at the

INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Tax gain behind 37% surge at YPF

A big tax-related gain, higher crude volumes and a good downstream performance saw profits at YPF, Argentina's biggest oil and gas producer, surge 37 per cent to \$264m in the third quarter from a year earlier. Excluding a \$66m net gain, achieved by using federal bonds to pay tax liabilities as part of Argentina's 1995 tax moratorium, third-quarter profits were \$198m - 3.1 per cent higher than a year earlier.

Nine-month earnings rose 66 per cent to \$677m from the same period in 1994. Even treating this year's tax moratorium gains as extraordinary, nine-month profits were 44 per cent up on last year, at \$578m.

Results include \$67m in net second- and third-quarter losses from Maxus Energy Corporation of the US, which YPF acquired for almost \$800m earlier this year. YPF said it had already taken "a number of steps towards running Maxus more profitably". Administrative staff had been cut from 825 to 183.

Third-quarter operating income at Maxus was \$9m, on revenues of \$142m, but after deducting financial costs, other non-operating charges, income taxes and preferred dividends it posted a net loss of \$42m. YPF hopes to turn the unit round by early 1997. Mr Christopher Eccleston, a broker at Interactions, remained sceptical about Maxus, but said the YPF results were good and that it was an attractive stock, trading at a price/earnings ratio of about seven.

David Pilling, Buenos Aires

Mexico rules on natural gas

North American companies said they would compete in Mexico's liberalised natural gas sector yesterday, as new rules were issued to complete the regulatory framework of the sector. Novocorp International, a subsidiary of the Canadian pipeline and energy company Nova Corporation, and San Diego Gas and Electric, a California utility, said they would compete for concessions in the natural gas storage and distribution sector, which was opened to the private sector last spring.

Regulations to govern the relationship between private entrants and the state monopolies that control Mexico's national electricity grid and its petroleum and gas extraction industries came into force on October 1. The rules published yesterday determine customer requirements, bid procedures for concessions, and principles of open access for the natural gas industry.

Dr Kent Jespersen, president of Novocorp, said the Mexican natural gas industry had great growth potential. Although Mexico's proven reserves are similar to Canada's - about 70 trillion cubic feet - the country produces only a fifth of Canada's output. Furthermore, environmental regulations coming into effect after 1995 will require Mexico to substitute natural gas for fuel oil in many of the country's power plants.

Daniel Dombey, Mexico City

Chilean bank pays off debt

Banco de A. Edwards has paid off its \$1.1bn pesos in subordinated debt, equal to about \$125m, to Chile's central bank. The Chilean bank raised the sum through a \$207m capital increase, most of that through a placement this week of American Depositary Shares.

"We have been able to pay this thanks to the confidence of investors the world over," Mr Sergio de Castro, Banco Edwards president, said.

It became the third bank to cancel its debts with the central bank through an ADS placement, following Banco O'Higgins and Banco Osorno last year.

Reuter, Santiago

SNC-Lavalin ahead in term

SNC-Lavalin, the Canadian-based international engineering consultant and project manager, posted higher third-quarter earnings and its order book at September 30 stood at C\$1.8bn (US\$1.3bn), up from C\$1.4bn a year earlier.

Net profit for the latest quarter was C\$7.2m, or 50 cents a share, up from C\$7.2m, or 46 cents, a year earlier, on revenues of C\$225m against C\$193m. Engineering-construction provided 86 per cent of revenues.

Nine-month profit was C\$24.1m, or C\$1.53 a share, up 10 per cent from C\$21.9m, or C\$1.40, on revenues of C\$712m, up 10 per cent from C\$650m.

Robert Gibbons, Montreal

LeBow and Ichan plan to lift stake in RJR Nabisco

By Maggie Urry in New York

Details of an agreement between Mr Bennett LeBow's Brooke Group and Mr Carl Ichan to invest up to \$500m in RJR Nabisco stock have emerged in a filing with the Securities and Exchange Commission.

Mr LeBow is pressing the tobacco and food group to spin off its Nabisco food company, which he believes would result in greater stock market value for shareholders.

Mr Ichan has pledged his support to the Brooke Group's efforts.

RJR Nabisco hit back with a letter to shareholders condemning Mr LeBow and Mr Ichan's histories of corporate activity. It said a spin-off now could leave the company "entangled in litigation for years".

Brooke Group is soliciting support from other shareholders for a resolution which would "request and recommend" an immediate spin-off of RJR Nabisco's 80.5 per cent of Nabisco.

In January, RJR Nabisco floated a 19.5 per cent stake in Nabisco. RJR Nabisco has maintained that a rapid spin-off of the rest would not be in the best interests of shareholders.

Plaintiffs in cases relating to the tobacco side could argue that a spin-off on the food activity was a "fraudulent conveyance" as it could remove a possible source of cash for damages.

The SEC filing gives details of a pact between New Valley, an affiliate of Brooke Group and High River, a company owned by Mr Ichan, signed on October 17. Under the deal, "the parties agreed that each... would invest up to approximately \$250m" in RJR Nabisco.

At the same time, New Valley sold 1.61m RJR Nabisco shares to High River for \$51m. Brooke Group has 4.89m RJR Nabisco shares, and High River owns 8.01m shares, together making 4.7 per cent of RJR Nabisco's ordinary shares, worth \$381m at yesterday's share price of \$20.4.

The agreement also provides that if one side wishes to terminate the pact, in certain circumstances, it would pay the other party \$50m.

The circumstances would include the sale by Brooke Group of Liggett, its tobacco business, to RJR Nabisco, or the sale by either side of its RJR Nabisco shares to RJR Nabisco.

News Corp falls despite strong TV growth

By Tony Jackson in New York

Third-quarter earnings from Mr Rupert Murdoch's News Corporation fell 5 per cent to US\$210m, as a strong performance from television and newspapers was more than offset by weakness in films, magazines and book publishing.

Operating profit from the US was up 6 per cent at \$221m, making up 79 per cent of the group total compared with 73 per cent the year before. Prof-

its from the Fox TV stations were up 30 per cent, largely as a result of acquisitions. During the quarter, the US authorities ruled that News Corp was entitled to own TV stations despite being a foreign company, clearing the way for acquisitions.

Profits at the Fox TV network were down because of lower ratings and fewer new programmes. Profits from the Fox film studios also fell.

In magazines, profits from TV Guide were down as a result of higher newsprint

costs and a fall in circulation after a 10 per cent rise in the cover price. HarperCollins, the book publisher, made lower profits because of the delayed launch of several titles.

In the UK, profits were 4 per cent lower at \$46m. Profits from newspapers rose 30 per cent. Advertising revenue was up 8 per cent, with the strongest growth from The Times and News of the World. Cover price increases, after a price war with Mr Conrad Black's Telegraph group, had had little

or no effect on circulation, the company said.

Profits from Australasia were down from \$28m to \$12m, chiefly because of higher start-up costs at Star TV, the Asian satellite channel. Profits from Australian newspapers were flat.

Profits from BSKYB, the 40 per cent-owned UK satellite channel, were up 36 per cent, with subscribers up 5 per cent from three months before. However, profits were down sharply at Ansett, the 50 per

cent owned Australian airline, and profits from associates overall fell 27 per cent to \$57m.

Across the group, profits from newspapers were up 1 per cent at \$80m on sales up 5 per cent. TV profits were up 67 per cent at \$52m on sales up 36 per cent. Magazine profits were down 11 per cent at \$43m on sales up 6 per cent. Film profits were down 47 per cent at \$30m on sales 8 per cent lower, and book publishing profits were down 13 per cent at \$42m on sales down 8 per cent.

Vereinsbank leads Oppenheimer race

By Andrew Fisher in Munich and Maggie Urry in New York

Bayerische Vereinsbank has emerged as the leading candidate to acquire Oppenheimer Group, the US financial services partnership, in a deal which could be worth more than \$600m and which marks an aggressive continuation of German banks' drive into international investment banking.

Oppenheimer Group owns Oppenheimer & Co, the brokerage, investment banking and fund management firm. It also has a 34 per cent stake in Oppenheimer Capital, which manages \$32bn in pension and other institutional funds, and runs the Quest For Value mutual funds. The group is no longer associated with Oppenheimer Management, a mutual fund company.

The Munich-based bank yesterday confirmed it was in discussions with Oppenheimer "and studying possible co-operation". Oppenheimer also confirmed the talks were "ongoing". Both declined to comment further or name a possible price.

Analysts said an agreement could be concluded in a few

weeks now that other banks appeared to have bowed out. Those involved in the talks are said to be keen to have them completed by the end of this year.

Early this year, Oppenheimer had been in talks with ING of the Netherlands, until ING acquired Barings of the UK. Later, Germany's Commerzbank and National West-

commercial bank in Germany, and Oppenheimer reflect the German bank's awareness it has some catching up to do in the investment banking field.

Deutsche Bank is actively integrating the operations of Morgan Grenfell, the UK merchant bank it bought in 1990, into its new Deutsche Morgan Grenfell investment banking unit. Earlier this year, Dresd-

The negotiations between Vereinsbank, the fourth-largest commercial bank in Germany, and Oppenheimer reflect the German bank's awareness that it has some catching up to do in the investment banking field

minster of the UK were also linked with Oppenheimer.

Oppenheimer has capital of \$340m, and employs about 3,000 people. It has 12 branches in the US, a subsidiary in London, and representative offices in Bombay, Buenos Aires, Lima, Santiago and Milan. The acquisition would include the minority stake in Oppenheimer Capital, a quoted company.

The negotiations between Vereinsbank, the fourth-largest

ner Bank - number two in Germany after Deutsche Bank - bought Kleinwort Benson, the UK investment bank.

Commerzbank held talks with Smith New Court, the big UK stockbroker, but lost out to Merrill Lynch of the US. Westdeutsche Landesbank also intends to build up its investment banking side, mostly in London.

However, some analysts were sceptical as to whether

Vereinsbank would benefit from the deal. "To me, it's another touch of German bank megalomania," said Mr Stephen Lewis, banking analyst at Union Bank of Switzerland in London. "They should stick to building up their business in Germany and go for niches abroad to help their domestic business."

Under Mr Albrecht Schmidt, its chairman, Bayerische Vereinsbank has been keen to build up its investment banking business. It has invested heavily in new technology in recent years and places next year to set up a direct bank, along the lines of those formed by some of its German and foreign competitors.

Vereinsbank has about DM500b (\$35.4bn) of funds under management and total assets of about DM340bn.

The attractions for Oppenheimer of a deal with Vereinsbank lie in the increased capital it would have, making it better able to compete in the US markets. It would enable the group to expand its range of activities, and bring it a list of potential corporate finance clients from Vereinsbank's customers.

Lex, Page 16

Michelin to top up US pension funds

Michelin is to pay \$300m in cash into its US pension funds before the end of the year, making it the latest in a line of companies to cyclical industries which have taken advantage of stronger cash flow to tackle severe pension deficits, writes Richard Waters in New York.

The French tyre maker said it would also merge the US plans, for employees of Uniroyal Goodrich in the US, with its main Michelin plan, which is already fully funded.

Of the company's eight pension funds in the US, five are underfunded, according to the Pension Benefit Guaranty Corporation, which administers the US insurance fund for pension benefits. At the end of 1993, the eight plans had assets of \$540m and liabilities of about \$1bn, the agency said.

The US plans cover 8,000 current employees of Uniroyal Goodrich, as well as 20,000 retirees. After the reorganisation, the Michelin fund will cover 41,000 people in total. Michelin said its cash contribution was being made "in agreement" with the PBGC.

Starting up from scratch

Former Wellcome executive has set up an unusual group for anti-viral drugs, reports Daniel Green

Between 15 and 20 job applications a week land on the desk of Dr David Barry, chief executive of Triangle Pharmaceuticals. Not bad for a four-month-old company with just nine staff.

But then Dr Barry is swimming in a sea of highly qualified pharmaceutical industry personnel washing over Research Triangle Park, the North Carolina business park where Triangle Pharmaceuticals is based. They are the more than 500 former employ-

ees of Glaxo Wellcome, the world's biggest drugs company. Dr Barry himself left Wellcome in June.

He was head of research at Wellcome before Glaxo's \$2.1bn (\$1.4bn) takeover of his company ended his career there. The other jobs were lost in cost cutting, easy to justify in the US because both groups had their main US operations at Research Triangle Park.

Dr Barry decided to leave when it became clear that Glaxo Wellcome would not want him to head its research effort. There were plenty of offers, he says, from both large drugs companies looking for research directors and smaller biotechnology businesses that wanted chief executives.

However, he decided to start from scratch. "The maximum negative is that the venture fails. And that's not the end of the world," he explains. Thus was born Triangle Pharmaceuticals, with the help of \$4m in venture capital led by Forward Ventures of California.

Dr Barry's team is made up entirely of former staff of Burroughs Wellcome (the US arm of Wellcome), including Mr Chris Rallis, vice-president of business development in the new company, and Mr James Klein, director of finance.

Not surprisingly, it will concentrate on anti-viral drugs. Dr Barry led Wellcome's efforts to become the biggest seller of such drugs, of which Zovirax, for herpes, and Retrovir, for AIDS, are the best known.

Beyond that, however, Triangle is a very unusual company. Unlike biotechnology companies, the standard model for a start-up in medicines, it is not trying to discover new drugs. Instead it plans to identify promising medicines and take them through the three main phases of clinical trials.

This is a risky business. Statistically, barely one in ten drugs entering Phase I trials makes it to market. However,



David Barry: Triangle does not aim to discover new drugs

Dr Barry believes his employees' skills will give Triangle an edge.

He adds that there is unlikely to be a shortage of drugs to choose from. The company has already been approached by German and Japanese companies interested in being taken over by Triangle. Dr Barry's team is looking at six of them; another three are expected to be considered soon.

"We'll offer a free service to test potential AIDS drugs," he says. The only condition is that if the drug looks good, Triangle will have first rights to negotiate for its acquisition.

The business will work, he says, not least because the economics of AIDS drugs is changing. The number of medicines will increase faster than spending on treatments, he says. The area may eventually be split between a number of drugs, each with sales of about \$20m a year.

That kind of money is of little interest to big companies, such as Roche of Switzerland and Bristol Myers Squibb of the US, which are developing AIDS treatments. But for a small company like Triangle, it would be a good business indeed.

New formula, Page 15

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The Company made by resolution of its Board of Directors dated 24th October and 27th October, 1995 in issue of \$214,000,000 1% Senior Preferred Shares with Warrants due November 9, 1999 (the "Notes"). The initial exercise price per Share in respect of the Notes was determined to be Yen 800 which was less than the current market price per Share of Yen 850 on such day as determined in accordance with Clause 3(a)(ii) of the Instrument (the "Instrument") dated 12th December, 1991 constituting the Warrants. As a result, the following adjustment of the Subscription Price relating to the Warrants shall be made pursuant to Clause 3(a)(ii) of the Instrument:

- Subscription Price before adjustment Yen 1,535.00 per Share
- Subscription Price after adjustment Yen 1,524.50 per Share
- Effective Date of adjustment: 9th November, 1995 (Japan time)

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Royal Navy frigate order vital for Vosper jobs

"It would be a blow to competition in warship building if GEC took the

The former energy minister and leader of the Lords said he told defence secretary Mr Michael Portillo in a recent meeting: "The best way of pricing warships for the Royal Navy is by a process of competitive tendering and that means there have to be two competitive

Nevertheless, shares in the company rose 5p to 865p yesterday after it announced an 11 per cent increase in first half profits and said export prospects were buoyant.

It has also reduced its reliance on core warship activities by enjoying increased contributions from its

● COMMENT

330m next. The prospects would be flat, however, if it has to make an estimated 24m redundancy charge. On a forward multiple of 15, the shares would be worth buying if it won part of the Type 23 order, and probably worth holding even if it did not.

ADT shares rose 5p to 893p.

Ex-Lands proposes golf demerger

The company hopes that fol-



second illustration within a

purchase price.

cent.

strengthening its advisory and equity underwriting business in the UK. Its approach to Rothschild is thought to be

By Peter Pearce
Operating profits for the

consultancy, and in May it sold HEE, its engineering and environmental services business.

A year ago the group appointed administrators to Thomson-Motors, the UK-based

were pre-tax profits of £1.87m (losses £72.4m); operating profits on continuing operations of £2.13m (£1.95m); and earnings of 2.01p (losses 2.75p).

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. ★US currency. *Equivalent after allowing for scrip issue. ♡After exceptional charge. †On increased capital. ‡Irish currency. §Comparatives for 52 weeks to March 5 1994. ★Comparatives restated.

Prices are determined for every post-war in each of the following periods. Prices are provided for reference only, rounded to two decimal places. To current prices to prices per shipment, the standard is the average of the prices of the following commodities: 1915-1916: 100.00; 1917-1918: 100.00; 1919-1920: 100.00; 1921-1922: 100.00; 1923-1924: 100.00; 1925-1926: 100.00; 1927-1928: 100.00; 1929-1930: 100.00; 1931-1932: 100.00; 1933-1934: 100.00; 1935-1936: 100.00; 1937-1938: 100.00; 1939-1940: 100.00; 1941-1942: 100.00; 1943-1944: 100.00; 1945-1946: 100.00; 1947-1948: 100.00; 1949-1950: 100.00; 1951-1952: 100.00; 1953-1954: 100.00; 1955-1956: 100.00; 1957-1958: 100.00; 1959-1960: 100.00; 1961-1962: 100.00; 1963-1964: 100.00; 1965-1966: 100.00; 1967-1968: 100.00; 1969-1970: 100.00; 1971-1972: 100.00; 1973-1974: 100.00; 1975-1976: 100.00; 1977-1978: 100.00; 1979-1980: 100.00; 1981-1982: 100.00; 1983-1984: 100.00; 1985-1986: 100.00; 1987-1988: 100.00; 1989-1990: 100.00; 1991-1992: 100.00; 1993-1994: 100.00; 1995-1996: 100.00; 1997-1998: 100.00; 1999-2000: 100.00; 2001-2002: 100.00; 2003-2004: 100.00; 2005-2006: 100.00; 2007-2008: 100.00; 2009-2010: 100.00; 2011-2012: 100.00; 2013-2014: 100.00; 2015-2016: 100.00; 2017-2018: 100.00; 2019-2020: 100.00; 2021-2022: 100.00; 2023-2024: 100.00; 2025-2026: 100.00; 2027-2028: 100.00; 2029-2030: 100.00; 2031-2032: 100.00; 2033-2034: 100.00; 2035-2036: 100.00; 2037-2038: 100.00; 2039-2040: 100.00; 2041-2042: 100.00; 2043-2044: 100.00; 2045-2046: 100.00; 2047-2048: 100.00; 2049-2050: 100.00; 2051-2052: 100.00; 2053-2054: 100.00; 2055-2056: 100.00; 2057-2058: 100.00; 2059-2060: 100.00; 2061-2062: 100.00; 2063-2064: 100.00; 2065-2066: 100.00; 2067-2068: 100.00; 2069-2070: 100.00; 2071-2072: 100.00; 2073-2074: 100.00; 2075-2076: 100.00; 2077-2078: 100.00; 2079-2080: 100.00; 2081-2082: 100.00; 2083-2084: 100.00; 2085-2086: 100.00; 2087-2088: 100.00; 2089-2090: 100.00; 2091-2092: 100.00; 2093-2094: 100.00; 2095-2096: 100.00; 2097-2098: 100.00; 2099-2100: 100.00; 2101-2102: 100.00; 2103-2104: 100.00; 2105-2106: 100.00; 2107-2108: 100.00; 2109-2110: 100.00; 2111-2112: 100.00; 2113-2114: 100.00; 2115-2116: 100.00; 2117-2118: 100.00; 2119-2120: 100.00; 2121-2122: 100.00; 2123-2124: 100.00; 2125-2126: 100.00; 2127-2128: 100.00; 2129-2130: 100.00; 2131-2132: 100.00; 2133-2134: 100.00; 2135-2136: 100.00; 2137-2138: 100.00; 2139-2140: 100.00; 2141-2142: 100.00; 2143-2144: 100.00; 2145-2146: 100.00; 2147-2148: 100.00; 2149-2150: 100.00; 2151-2152: 100.00; 2153-2154: 100.00; 2155-2156: 100.00; 2157-2158: 100.00; 2159-2160: 100.00; 2161-2162: 100.00; 2163-2164: 100.00; 2165-2166: 100.00; 2167-2168: 100.00; 2169-2170: 100.00; 2171-2172: 100.00; 2173-2174: 100.00; 2175-2176: 100.00; 2177-2178: 100.00; 2179-2180: 100.00; 2181-2182: 100.00; 2183-2184: 100.00; 2185-2186: 100.00; 2187-2188: 100.00; 2189-2190: 100.00; 2191-2192: 100.00; 2193-2194: 100.00; 2195-2196: 100.00; 2197-2198: 100.00; 2199-2200: 100.00; 2201-2202: 100.00; 2203-2204: 100.00; 2205-2206: 100.00; 2207-2208: 100.00; 2209-2210: 100.00; 2211-2212: 100.00; 2213-2214: 100.00; 2215-2216: 100.00; 2217-2218: 100.00; 2219-2220: 100.00; 2221-2222: 100.00; 2223-2224: 100.00; 2225-2226: 100.00; 2227-2228: 100.00; 2229-2230: 100.00; 2231-2232: 100.00; 2233-2234: 100.00; 2235-2236: 100.00; 2237-2238: 100.00; 2239-2240: 100.00; 2241-2242: 100.00; 2243-2244: 100.00; 2245-2246: 100.00; 2247-2248: 100.00; 2249-2250: 100.00; 2251-2252: 100.00; 2253-2254: 100.00; 2255-2256: 100.00; 2257-2258: 100.00; 2259-2260: 100.00; 2261-2262: 100.00; 2263-2264: 100.00; 2265-2266: 100.00; 2267-2268: 100.00; 2269-2270: 100.00; 2271-2272: 100.00; 2273-2274: 100.00; 2275-2276: 100.00; 2277-2278: 100.00; 2279-2280: 100.00; 2281-2282: 100.00; 2283-2284: 100.00; 2285-2286: 100.00; 2287-2288: 100.00; 2289-2290: 100.00; 2291-2292: 100.00; 2293-2294: 100.00; 2295-2296: 100.00; 2297-2298: 100.00; 2299-2300: 100.00; 2301-2302: 100.00; 2303-2304: 100.00; 2305-2306: 100.00; 2307-2308: 100.00; 2309-2310: 100.00; 2311-2312: 100.00; 2313-2314: 100.00; 2315-2316: 100.00; 2317-2318: 100.00; 2319-2320: 100.00; 2321-2322: 100.00; 2323-2324: 100.00; 2325-2326: 100.00; 2327-2328: 100.00; 2329-2330: 100.00; 2331-2332: 100.00; 2333-2334: 100.00; 2335-2336: 100.00; 2337-2338: 100.00; 2339-2340: 100.00

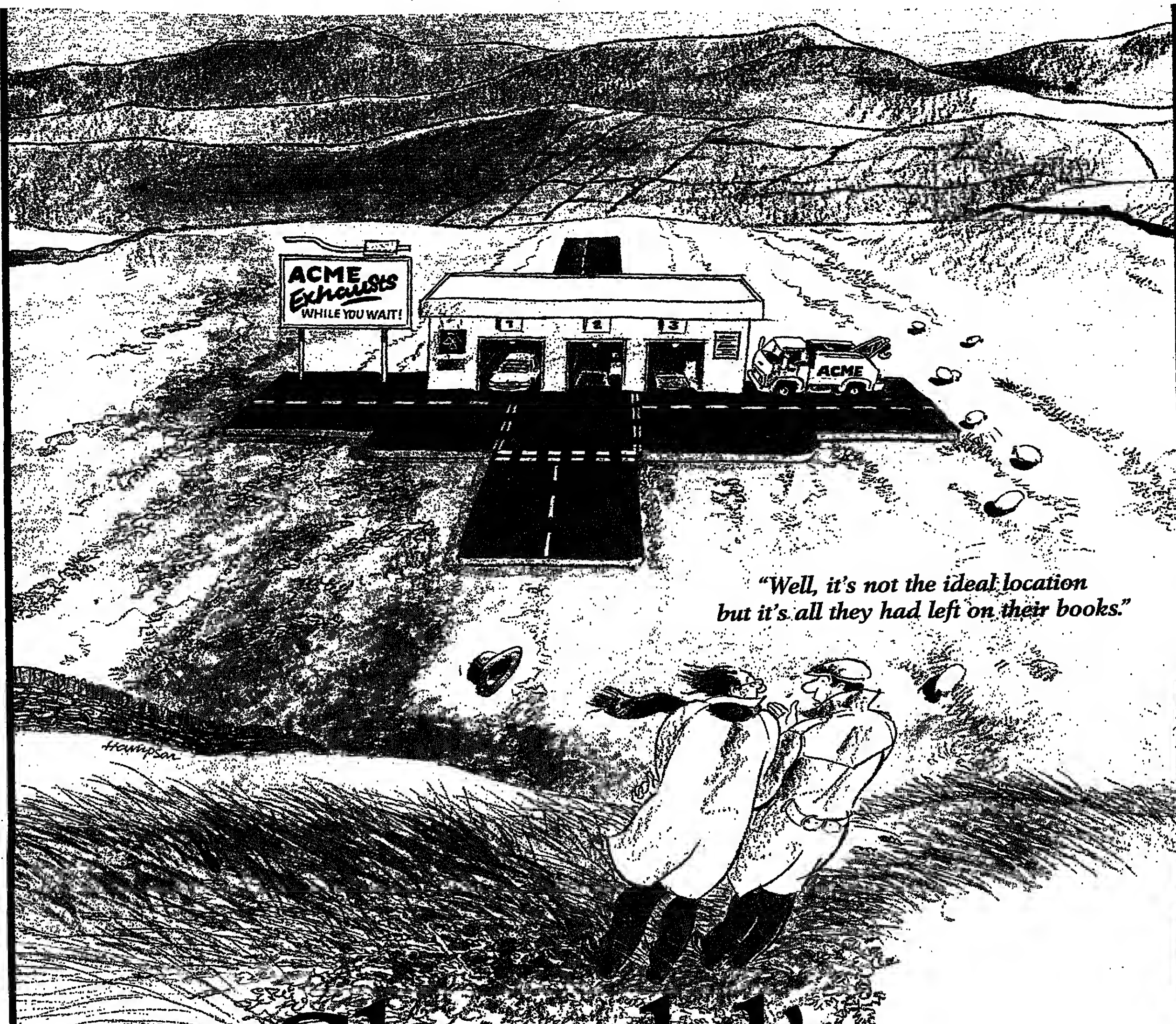


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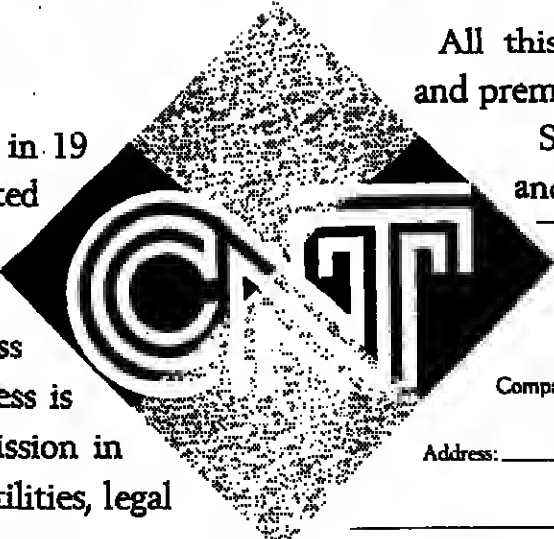
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COMPANY NEWS: UK

Tobacco surge helps BAT rise 22%

By Roderick Oram,
Consumer Industries Editor

Boosted by an "exceptional performance" from cigarette sales, BAT Industries yesterday reported a 22 per cent increase to £1.81bn in pre-tax profits for the nine months to September 30. Financial service profits were also well ahead.

The better-than-forecast tobacco result helped BAT's shares close up 14p at 547p. Analysts nudged up their full-year forecasts to about £2.35bn, a rise of 30 per cent from a year earlier when BAT took a £190m restructuring charge.

Tobacco trading profits were up 34 per cent at £1.21bn. Volumes rose 30 per

cent, reflecting a rate of 16 per cent in the third quarter against 22 per cent at the half year. Organic growth accounted for roughly half and acquisitions such as American Tobacco and new ventures in eastern Europe the balance.

"Even after the acquisitions fall out of the comparisons, BAT will still enjoy volume growth of 4 or 5 per cent a year after 15 years' static performance," one analyst said.

BAT's share of the world cigarette market rose about 1.5 percentage points to 13 per cent with strong performances in Brazil, eastern Europe and the US among other markets. BAT is seeking more investment opportunities in east-

ern Europe. It believes Poland will be next to decide on foreign investors, and should do so by the year end.

Trading profits at Brown & Williamson in the US rose 60 per cent to \$514m on volumes up 50 per cent. American Tobacco contributed roughly two thirds of the improvement.

The blackest spot was Australia, gripped by a prolonged price war. W.D. & H.O. Wills, BAT's 67 per cent-owned subsidiary, reported a nine month loss of \$8.5m against a profit of \$24m. Its market share was down about 5 percentage points to 26 per cent but the situation was getting no worse.

Financial service profits rose 19 per cent to £78m, to which general insur-

ance contributed \$498m (up 30 per cent) and life and investment businesses \$286m (up 4 per cent).

Farmers, the US insurer, was up 12 per cent at \$430m. Eagle Star, the UK insurer, was also well ahead at £185m pre-tax with a slight deterioration in underwriting offset by much improved investment returns.

Allied Dunbar was down 13 per cent at £108m, reflecting "extremely difficult" conditions and low consumer confidence in the UK markets. Life new business premiums were down only 4 per cent, compared with far steeper falls for many of its competitors.

Earnings per share were 35.5p, up 16 per cent.

CMG forecasts at least £19.5m for full year

By Paul Taylor

Computer Management Group, the European computer services concern which plans to float simultaneously in London and Amsterdam on December 1, expects to achieve a sharp increase in pre-tax profits this year.

The group, which issued its pathfinder prospectus yesterday, has also extended its original plans for a placing with institutional investors to include an intermediaries offer.

The offer, which will include 3m new shares aiming to raise about £7.5m for CMG, is expected to total between \$40m and \$50m, and will value the group at about £160m. Existing shareholders include 1,800 out of the 2,600 employees.

CMG, founded in 1964, is one of the oldest and most consistent performers in the computer

services sector. Yesterday it forecast pre-tax profits of not less than £19.5m for 1995. The previous year it reported £14.1m on turnover of £146.3m.

After flotation expenses of £1.7m, the directors forecast pre-tax profits of not less than £17.8m for the full year, compared with £8.64m at the interim stage.

Mr Cor Stutterheim, chairman, said the group was "well placed to take advantage of the growth prospects in the European IT services market". The flotation would raise CMG's market profile and provide access to capital markets if needed to help finance acquisitions.

He emphasised that the group would continue to focus on its existing customers, on "repeatable" business in its consultancy, systems develop-



Cor Stutterheim (left) chairman, with Gerard Lucassen, managing director: will continue to focus on existing customers

ment and advanced technology solutions operations, and on "recurring revenues" in its processing services and facilities management operations.

CMG operates mainly in the Dutch, British and German markets and has focused on the finance, telecommunica-

tions, public sector and facilities management sectors. Kleinwort Benson is adviser and sponsor to the London listing and ABN Amro Hoare Govett is sponsor to the Amsterdam listing.

The shares are expected to be priced on November 30.

Argent raises £15m to help fund purchase

By Simon London,
Property Correspondent

Argent, the property investment and development group which floated on the stock market in June 1994, yesterday raised £15.4m from an institutional placing.

The cash will be used to help finance the £27.7m acquisition of The Fishergate Shopping Centre in Preston, Lancashire.

The company placed 5.4m shares, equivalent to an increase in share capital of just under 10 per cent, at 280p. The adjusted net asset per share at its March year end was 268p.

Argent is buying the Fishergate Centre from Scottish Amicable, the life insurance group. The centre produces a net annual income of £2.45m, equivalent to a net yield of 8.6 per cent at the purchase price.

Mr Robert Laurence, a director, said gearing would have crept to an uncomfortable level if the acquisition had been financed only with debt.

UK and Europe sales lift aids Electrocomponents

By Christopher Price

Strong demand for electronic components in the UK and continental Europe helped Electrocomponents, the catalogue distribution group, raise half-year pre-tax profits 18 per cent from £35.5m to £41.9m.

Turnover increased 19 per cent to £257.3m for the six months to September 30. The company also announced its first acquisition in east Asia, paying £1.6m for a distribution group in Singapore.

Operating profits in the RS catalogue business in the UK rose 14 per cent to £37m on sales 16 per cent higher at £186m.

Mr Bob Lawson, chief executive, said that the UK business was benefiting from the export-led recovery in the economy.

"Behind the overall positive economic picture, we have increased the range of products, widened our geographical coverage and introduced additional services for customers."

In the rest of Europe, operating profits doubled to £1.6m on sales 42 per cent ahead at £45.5m.

There were significant investments to improve capacity in the German and Italian distribution centres, while the



Bob Lawson: "increased the range of products"

group paid £1.9m for a Spanish distributor, its first purchase in the country.

Net cash fell from £63.2m to £48.9m, reflecting demands on working capital during the period.

The investments of £16m during the year included £2.2m for the construction of a distribution centre at Nuneaton, Warwickshire, of which the second phase is due to become operational next summer.

Extra expenditure was also put into increasing inventory levels and widening the stock range as part of the group's strategy to improve its service to customers.

Earnings per share rose 23 per cent to 6.6p. The interim dividend is raised 23 per cent to 2p.

Mr Roy Cotterill, chairman, said although there was evidence of economic slowdown in some markets, the company looked forward to continuing growth in the second half.

COMMENT

Having consolidated its position in the UK distribution market, Electrocomponents is setting its sights on Europe and beyond. The high margins the group enjoys in the UK and not yet being matched overseas and the company will have to invest steadily to achieve that. It has the resources to do so - more than £50m at the last count and by not resting there, also eyeing the fragmented Asian market where a significant presence would pay dividends. Pre-tax profits this year could touch £180m, giving earnings per share of about 15.5p and putting the shares on a forward multiple of nearly 19, more than a 20 per cent premium to the market. While deserved, the 8p fall in the shares to 355p yesterday suggests that the price has caught up with events.

Dividend policy concern undermines British Gas

By Robert Corzine

Mr Richard Giordano, chairman of British Gas, must rue the day last autumn when he announced that "future dividend growth should be possible".

This week investors have watched the company's shares fall to a three-year low as uncertainty has increased over its future performance in a competitive British market.

The yield has increased to nearly 8 per cent, twice the market average and a level which some suggest discounts a dividend cut.

But is a cut likely? In September, Mr Giordano said: "It is the board's intention to maintain the final dividend for 1995, in spite of 'pressure on our dividend cash cover'."

Most analysts believe the 14.5p pay-out is secure for this year, but opinion is divided about the outlook for 1996.

Although the company's dividend cash cover formula is under pressure because of increased competition and lower gas demand, it would be a surprise if the company reacted with such a radical step on the final dividend. "A yield of 7 per cent to 8 per cent says there will be no growth," said Mr Paul Spedding at Kleinwort Benson. "A 9 per cent yield says the

dividend is in danger."

In recent years only two big UK energy companies, British Petroleum and Lloyds, have cut their dividends. In both cases the companies did not have the earnings to cover a full pay-out. British Gas, by contrast, has the advantage of a strong balance sheet.

"This year they are okay," said Ms Irene Himone at Société Générale Strauss Turndam in London. "But next year is up in the air. Nothing can be ruled out."

Analysts also believe any early action to alter the dividend would call into question the credibility of the management. It is too closely identified with last year's dividend announcement, to change course suddenly.

A pre-emptive cut "would make them look like mugs," said one analyst yesterday. Such an action would be tantamount to telling shareholders that the board had "lost control of its own destiny," and had "given up trying to resolve the company's problems".

Analysts note that the biggest financial pitfalls facing British Gas, such as its under-terminated liabilities over long-term gas contracts with North Sea producers, will emerge only over time. Even if the contracts' issue does put British Gas's survival in jeopardy, "it will have a lingering

death over five to six years," said one analyst.

Any pre-emptive cut would also result in intense pressure on Mr Giordano, who is most closely identified with the pro-growth dividend policy, to resign.

Opinions were divided, however, on what the companies might do next year.

Two issues dominate. The first is the take-or-pay contracts, requiring British Gas to pay producers for gas it no longer has a market for.

The second is the price review by Ofgas, the industry regulator, on Transco, the pipeline, division, which accounts for the bulk of earnings.

Some analysts say a harsh review, coupled with limited success in re-negotiating the contracts, would be enough to force the company to reverse its dividend policy.

Others think the contracted issue alone will determine the fate of the dividend. "If they get a smooth renegotiation then the dividend will not be under threat," said one observer. "If not then the present policy is unsustainable."

The two issues are unlikely to become clear until next spring at the earliest. And that means British Gas may wait until it reports first-half earnings next September to unveil any dividend policy changes.

INTERIM RESULTS FOR SIX MONTHS TO 30 SEPTEMBER 1995

Building Businesses

"The first half of the year has seen a good operational performance from the company. We have achieved sound financial results, while at the same time developing our existing business and successfully completing a major acquisition." MURRAY STUART, CHAIRMAN

PROFIT BEFORE TAX
Up 3.9% to £128 million

EARNINGS PER SHARE
Up 3.8% to 11.4p per share

DIVIDEND
Up 13.6% to 5.17p per share



ScottishPower

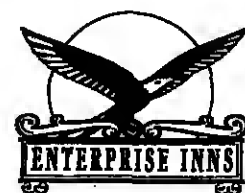
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GROWING DIVIDENDS

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November 1995

Scottish tots up nearly £60m in bid costs

By David Wighton

Scottish Power's hostile £1.1bn bid for Cheshire-based Manweb cost the two electricity companies nearly £60m, although Scottish said yesterday it had not been able to work out the final defence bill.

Scottish took control three weeks ago and Mr Ian Robinson, Scottish Power's chief executive, said the company had been surprised at the state of Manweb's accounts. However he stressed that there had been no other "unpleasant surprises or black holes. We are confident we will deliver the anticipated benefits for our stakeholders."

Scottish Power's bid expenses amounted to £38.5m, he said, and the defence costs would be less than £20m. The Glasgow-based group also revealed Manweb had shed 1,000 jobs, a quarter of its workforce, during the bid. On one Friday, almost 500 staff left. "That demonstrates that it was not an efficient organisation," said Mr Robinson.

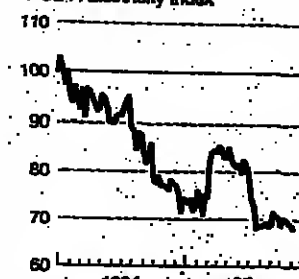
Integration costs and potential cost savings were yet to be assessed. The group would give a further update in January.

Scottish Power's comments on the aftermath of the bid accompanied its announcement of a 4 per cent rise in pre-tax profit to £128m in the six months to September 30. Earnings per share also rose 4 per cent to 11.4p and, as the company promised during the bid, the interim dividend rises 14 per cent to 5.17p. The final dividend will rise by the same amount, for a total of 15.5p and the aim will be to sustain real dividend growth of 5 to 6 per cent a year.

Operating profits rose 6 per cent to £133m, on turnover 6 per cent higher at £776.9m. Profits from generation and first and second tier electricity sales rose by £4m, but the se-

Scottish Power

Share price relative to the FT-SE-100 Electricity Index



Source: FT Index

sonal loss from wholesale trading in England and Wales was £2m higher. Retail profits rose to £3.7m (£1.8m) on sales of £109.1m (£98.6m) after the earlier purchase of Manweb shares. There was a strong cash inflow before taking the purchase of £183m of Manweb shares into account. Gearing is forecast to be not more than 75 per cent on March 31.

COMMENT

As the take-out price of regional electricity companies continues to mount, the terms of Scottish Power's acquisition of Manweb look still more of a bargain. The deal will enhance earnings next year, helping to keep up the momentum ahead of the upgrade of the transmission link with England and Wales in late 1997. This will significantly increase the available market for Scottish Power's relatively cheap and under-utilised power stations. However, Manweb increases the proportion of profits coming from distribution and raises the regulatory risks. In addition, Scottish Power's low earnings cover means its dividend growth is currently slower than, say, National Power, justifying the higher prospective yield of 5.4 per cent.

Finn's tune takes time to strike the right chord

After an eight-month global odyssey to determine a strategy for United Distillers, Guinness's main business and the world's most profitable spirits producer, Mr Finn Johnsson delivered his vision in London on Monday to more than 100 investors and analysts.

The market's verdict on the new managing director's plans was swift: Guinness's shares dropped 5 per cent in two days. "He was playing all the right tunes," one analyst said, "but it will take time to turn them into profits."

After five years' flat profits from Guinness and its international competitors such as Grand Metropolitan, Allied Domecq and Seagram, the market was preoccupied with the outlook for prices.

Mr Johnsson said prices should show steady improvement and Guinness, often seen as the industry's price leader, would take every opportunity to push them higher. But many listeners took that to mean prices were unlikely to keep pace with inflation.

The most optimistic analysts, who thought a stronger recovery was under way, cut their profit forecasts. Allied Domecq suffered the same fate yesterday after its year-end results presentation.

"I think we gave a very honest assessment of our strong points and weak points," Mr Johnsson said. "We didn't

Roderick Oram looks at the new managing director of Guinness's plans for United Distillers

promise a quick return."

The day-long review of UD by Mr Johnsson and a team of colleagues from around the world was keenly awaited. Although UD earns some 70 per cent of Guinness's profits, it is a 1980s agglomeration of acquired companies. It still needs a lot of work to turn it into an efficient, tightly managed global company.

Moreover, drinks producers who had enjoyed spectacular profits growth in the late 1980s need to find new ways to encourage the more conservative consumers of the 1990s to turn to spirits or trade up to more expensive brands.

Mr Johnsson, a Swede fresh to the drinks industry, came in February to a post left vacant for 16 months. He began a crash course in the drinks industry and the intricacies of UD. His long travels culminated in a two-week world tour to meet UD's top 300 executives.

A man who likes to enumerate his bullet points, Mr Johnsson told the internal and external audiences that UD had "four strategic imperatives", "three principal processes" and "three enabling processes". Strategically, UD intends to

increase its share of existing drinkers, capture a large share of the young adults whom the industry hopes to encourage to switch to spirits from other alcoholic drinks, be the dominant supplier in emerging markets and build a "world class sales capability".

The processes focus externally on brand management, customer support and product supply and internally on finance, personnel and business development. A recurring theme is that profits will be revived by new products, more effective marketing, and more efficient sales and distribution.

New products tested on Monday included what UD claimed were the first black and blond Scotch whiskeys, Loch Dhu and Jackson's Row, a bourbon liqueur, ready mixed drinks such as Bell's Scotch and cola or Dark and Stormy (Australian rum and cola) and Ginzing (gin flavoured with ginseng).

"We have about 40 products in testing," Mr Johnsson said. "The consumer response to some is very good and we will commercialise them over the next year. Ready-to-drink in particular is a very fast growing segment in the UK and Australia."



Finn Johnsson: Likes to enumerate his bullet points

More and better advertising and marketing is critical to stimulate trade in mature markets such as the UK and US and restore the value of premium brands. Own label and tertiary brands have been making inroads.

"We have to reinforce the message that we have value in

our products even at a higher price." New whiskies such as a line of rare malts will be another way to differentiate premium brands.

In emerging markets, "we always win when we invest early and strongly in the on-trade" to build the image of brands. Mr Johnsson admits,

though, that UD is having to play catch-up with some of its competitors in eastern Europe. Mr Johnsson believes UD's advertising spend needs to rise strongly to get brand messages through to consumers swamped by an ever-rising tide of marketing. The cost implications of that worried analysts a bit.

To improve distribution, UD took a £20m charge last year to rationalise operations. Europe, for example, was served by 14 wholly owned subsidiaries and seven joint ventures, each with its own warehousing, distribution, financial systems and terms of trade. Typical of the changes is that back office and distribution for the Portuguese market are now done out of Spain.

It is hard to compare UD's operations with its competitors but analysts' broad verdict is that GrandMet started a little earlier and Allied Domecq a little later on similar streamlining. The verdict on Seagram is more mixed. It gets high ratings in some countries but is dogged by a reputation for inconsistency.

All four also preach the same gospel on products, brands, marketing and distribution. The one thing in UD's favour, however, appears to be Mr Johnsson himself. "UD has always known what it wanted to do," one analyst said "but now they've got a man who will make sure they do it."

Greencore settles with former chief executive

Greencore, the Irish food group, has settled a four-year legal battle with Mr Chris Comerford, its former chief executive.

The company is to write back £1.1m of a £2.4m (£4.0m) provision made in 1991 against the cost of the legal action.

The shares gained 10p to 515p following the settlement, reached early yesterday prior to a full hearing of the dispute in the Irish High Court.

There had been concern that information damaging to the company would have emerged during a protracted court case.

Greencore is being investigated by the European Commission over allegations of price-fixing in the European sugar industry in the 1980s.

Mr Comerford resigned from Greencore in September 1991 after it was revealed that he had claimed an interest in a company that had benefited from dealings with Irish Sugar,

as Greencore was then known, while he was chief executive.

Mr Comerford claimed he was entitled to £2.1m of the £2.8m paid by Irish Sugar in 1990 when it bought out minority shareholders in a sugar distributor and wholesaler.

His claim was contested and he was forced to resign from Greencore, but not before he had agreed a compensation package estimated at £1.5m.

This was subsequently frozen, along with the £2.1m payment in the form of a loan note.

Under yesterday's agreement, the £2.1m loan note has been cancelled and Mr Comerford has received a contribution towards his legal costs, reported to be half of the £2m total.

In addition he will receive his pension entitlements, based on his departing salary of £185,000 per year.

Lyons Irish advances despite tough market

By David Blackwell

Lyons Irish Holdings, which has more than 60 per cent of the Irish tea market, reported better profits and sales in spite of tough market conditions.

The group is 75 per cent owned by Allied Domecq and has changed its year end from March to August in line with its parent.

Since merging in March 1994 with Domecq, the Spanish drinks group, Allied has been selling off its food businesses to focus on spirits and other drinks. In summer it sold its Tolley tea and coffee business to a management buy-in for £190m.

Among buyers thought to be interested in Lyons Irish is Allegro, a private Dublin-

based food distribution group with several institutional shareholders. It is understood to be interested in a stock market listing.

Lyons Irish announced pre-tax profits for the 24 weeks to August 19 of £54.1m (£4.2m), against £3.8m last time. Sales from continuing operations were £122m (£111.8m).

Profits for the 76 weeks to August 19 were £12.8m on sales of £37.9m. In the previous 52 weeks profits were £8.8m on sales of £25.9m.

The group, which has about £23m cash, received £4.2m of interest in the 76-week period.

The board is proposing a final dividend of 5p, taking the total for the 76 weeks to 16p (10.4p).

PUBLIC WORKS LOAN BOARD RATES

Term	Rate	Rate	Rate
1	8 1/4%	6 1/4%	6%
Over 1 up to 2	8 1/4%	6 1/4%	7%
Over 2 up to 3	7 1/4%	7 1/4%	7 1/4%
Over 3 up to 4	7 1/4%	7 1/4%	7 1/4%
Over 4 up to 5	7 1/4%	7 1/4%	7 1/4%
Over 5 up to 6	7 1/4%	7 1/4%	7 1/4%
Over 6 up to 7	7 1/4%	7 1/4%	7 1/4%
Over 7 up to 8	7 1/4%	7 1/4%	8 1/4%
Over 8 up to 9	7 1/4%	7 1/4%	8 1/4%
Over 9 up to 10	7 1/4%	8 1/4%	8 1/4%
Over 10 up to 15	8 1/4%	8 1/4%	8 1/4%
Over 15 up to 25	8 1/4%	8 1/4%	8 1/4%
Over 25	8 1/4%	8 1/4%	8 1/4%

Notes: 1. The above rates are 1 per cent higher and non-voting loans 1/2 per cent higher in each case than the rates for 100 per cent voting loans. 2. The above rates are subject to the usual conditions of the Public Works Loan Board. 3. The above rates are subject to the usual conditions of the Public Works Loan Board. 4. The above rates are subject to the usual conditions of the Public Works Loan Board. 5. The above rates are subject to the usual conditions of the Public Works Loan Board. 6. The above rates are subject to the usual conditions of the Public Works Loan Board. 7. The above rates are subject to the usual conditions of the Public Works Loan Board. 8. The above rates are subject to the usual conditions of the Public Works Loan Board. 9. The above rates are subject to the usual conditions of the Public Works Loan Board. 10. The above rates are subject to the usual conditions of the Public Works Loan Board. 11. 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COMPANY NEWS: UK

Move follows clearance for North West Water to take over Norweb

Welsh Water considers Swalec bid

By Peggy Hollinger

Welsh Water yesterday said it was considering a bid for South Wales Electricity, the regional electricity company which rejected its advances five years ago.

The move follows the recent approval from the government for a takeover by North West Water for Norweb, another regional electricity company.

If the bid goes ahead, Swalec would be the eighth of the UK's 12 rees to face a takeover in recent months. Shares in the other four power companies rose strongly yesterday, with Yorkshire, for example, adding 30p to 19.52.

Welsh Water was forced to make the announcement following a sharp rise in Swalec's shares, fuelled by speculation of a possible bid for the smallest of the rees.

Swalec shares closed yesterday 70p higher at £10.58. Welsh Water shed 30p to finish at 72p.

Welsh said it had not reached a decision on whether it would bid. However, if a bid were to be launched, the price would be pitched at about £10.20.

Mr Graham Hawker, chief executive, said Welsh was keen to discuss a possible tie-up with Swalec. He refused to rule out the possibility of a hostile

bid. "We will be talking to them further and evaluating our position," he said.

Mr Hawker said any offer would be likely to include a mixture of debt and equity.

This prompted speculation in the market that Welsh would have to launch a substantial rights issue to back an offer. Swalec refused to comment.

Welsh Water first swooped on Swalec in 1990, buying 10 per cent of its shares without informing the board of its intentions. It later lifted the stake to 14.9 per cent before selling its holding in 1993.

Welsh argued in 1990 that there were considerable cost savings to be made from a

merger. Mr Hawker said the logic had not changed. "We have consistently said that the industrial logic is sound, that if it could be done it should be. Our main objective would be to get savings out of the two utilities."

Analysts estimated the savings from merging head office and sharing services such as billing and maintenance could be £80m-£85m. Swalec is thought not to have changed its original view that the savings are not enough to justify a total merger.

Analysts said Welsh's £10.20 should be regarded as an opening gambit and some believe an offer of up to £12 could be

earnings enhancing. "Swalec should not have too much trouble making a defence north of £11," said one.

Some shareholders were yesterday angry at Welsh's decision to return to Swalec, given that it had sold its stake two years ago for 480p a share. The company may find it difficult to convince shareholders of the wisdom of a bid because it is regarded as having a poor record on diversification.

However, most analysts were convinced that Welsh would eventually bid. "It would lose credibility if it walked away, and that is probably more damaging than making a hostile bid," one said.

ECC chief to take over at Rank

By Scheherazade Daneshkhu Leisure Industries Correspondent

Rank Organisation, the diversified leisure company, has ended a year-long search for a chief executive to replace Mr Michael Gifford.

It said yesterday the job would go to Mr Andrew Teare, chief executive of English China Clays, the minerals and chemicals group.

Mr Teare, who will join Rank as a non-executive director on January 1, said the company had established strong businesses in leisure and entertainment which he would continue to develop.

He is expected to take over from Mr Gifford soon after Rank's annual meeting on April 5.

Mr Teare, 53, joined English China Clays as chief executive in July 1990. He was headhunted from Rugby Group, the UK cement group, where he was managing director. He is widely regarded as a good strategic thinker and a good communicator.

He was credited with transforming Rugby into a successful diversified building materials business but his record at English China Clays, which has underperformed the FT-SE-A All-Share index by almost 30 per cent since he took over, has been mixed.

Some analysts are sceptical about gains from the acquisition of Calgon and EZE Products, US specialty chemicals business, in the last two years.

Mr Bruce Jones, leisure analyst at Smith New Court said Rank would benefit from the appointment of an outsider to take a fresh look at its businesses, which include Hard Rock cafes, bingo, Odeon cinemas and Butlins holidays as well as video duplication and high-technology precision industries.

Critics believe it has been slow to react to new developments such as the growth of multiplex cinemas.

Mr Mark Funnell, leisure analyst at NatWest Securities said: "Rank has a number of superstars in its UK leisure businesses and it will be very difficult to turn them round."

ECC shed 16p to close at 334p, while Rank gained 7p to close at 427p.

LEX COMMENT

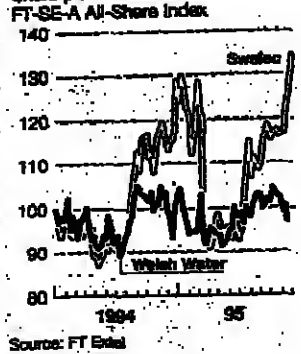
Welsh Water

Welsh Water's announcement that it is thinking of bidding for South Wales Electricity is a nasty surprise for its shareholders. The company has a dire diversification record; shareholders would prefer cash handed back to them, not an ambitious acquisition. It is no surprise that the news knocked 4 per cent off Welsh's share price yesterday. If Swalec could be secured at the price mooted by Welsh yesterday - £10.20 a share - investors might not have too much to complain about. At that price, the deal could conceivably do more for earnings than gearing up and handing cash back. But Welsh stands hardly any chance of winning Swalec at this price. The shares have already risen to £10.58, and Swalec is probably worth more than that. A Northern Electric-style "scorched earth" defence could yield value of over £11 - 24 paid to shareholders plus the share in the National Grid, leaving a rump with a healthy interest cover of 3½ times. A white knight might pay more: valuing Swalec on the same basis as this week's Seaboard bid could generate nearly £12. At these prices, Welsh shareholders would do better if the deal were dropped and the company geared itself up instead.

Swalec should not, however, let past differences get in the way of cost savings from joint working between the two companies. Its previous position - that no savings at all are possible - is not credible. Whatever happens, Swalec owes it to its shareholders to talk to Welsh about working together.

UK utilities

Share prices relative to the FT-SE-A All-Share index



Source: FT Data

City still waits for the luck to change

Just under a year ago, Mr Dennis Kerrison, who resigned earlier this week as chief executive of Hickson International, optimistically said: "All the bad news we know of is over."

He may wish he hadn't spoken so soon.

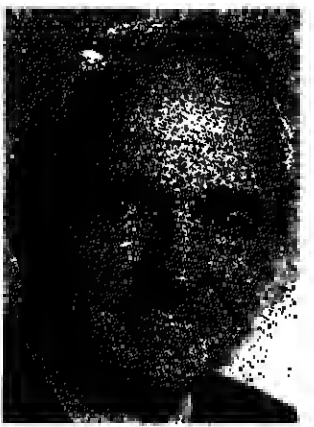
The group has failed to put its woes behind it. While analysts were looking for recovery this year, Hickson has just warned that it would be forced into the red after a £13m restructuring charge and disposal write-offs. Some forecasts are for losses as deep as £30m.

The group's inability to halt the deterioration in its profits has led the City to wonder if the problems are more fundamental. "The trading performance seems so markedly worse than anything we anticipated that you begin to wonder whether there is something more seriously wrong with the company than we don't know about," said one analyst.

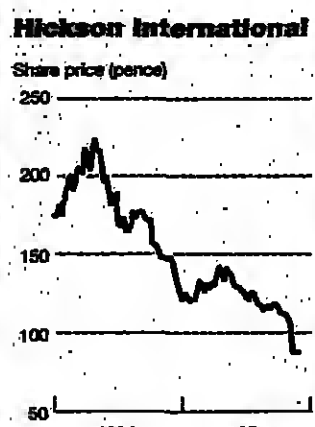
Most analysts recognised that fortune has not smiled on Hickson - which was a City darling in the late 1980s - in recent years. Mr Kerrison took over as chief executive in 1992 after more than two years of boardroom and financial upheaval, during which a chairman, finance director and chief executive had resigned unexpectedly.

Under Mr Ken Schofield, who stepped down after only 18 months as chief executive, the company had launched a £70m rescue rights issue after gearing exceeded 124 per cent. He also initiated a disposal programme following a string of 19 purchases between 1985 and 1989. However, some underperforming subsidiaries were kept

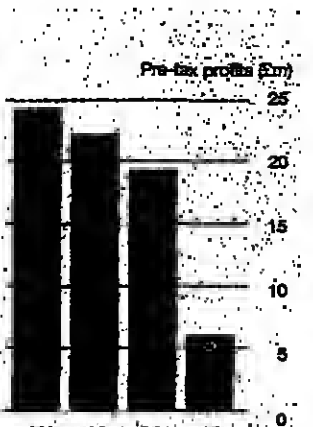
Motoko Rich asks what is wrong at Hickson as recovery fails to materialise at the chemicals group



James Hann; many of the problems are cumulative



Source: FT Data



Pre-tax profits (£m)

on, until the group finally provided for further disposals this week.

Mr Kerrison reigned under a cloud from the start. Just one month after he was appointed, an explosion at the group's main chemicals plant at Castleford in West Yorkshire took five lives. A year later, another explosion hit the group's fine chemicals factory in the Irish Republic.

Last year, the soap wars between Unilever, the Anglo-Dutch group, and Procter & Gamble, the US consumer goods company, resulted in the cancellation of a lucrative contract at its PharmaChem plant in Ireland. Hickson exclusively manufactured the manganese catalyst used in Unilever's ill-fated Persil and Omo Power.

The catalyst was expected to

add £8m to annual profits and it is understood that Unilever's settlement did not fully compensate Hickson for the lost profit stream. The company has not yet filled the dormant capacity, although it has said it intends to manufacture pharmaceutical intermediates.

The City has acknowledged the role of bad luck. "Obviously the combination of the industrial accidents and the woes with the Unilever contract have been beyond Mr Kerrison's control," said one analyst. "But he has never been able to get his arms around the business."

The shares, which tumbled from 225p in April 1994 to a low of 87p yesterday, have underperformed the chemicals sector by 53 per cent over the past two years. Between 1992 and 1994, profits declined from

£24.2m to £19.2m. At the end of 1994 - often described as Hickson's *annus horribilis* - the group promised to increase capacity, cut costs and move away from low margin activities. Analysts were waiting for a consequent improvement in results.

"I was supportive of Mr Kerrison until recently because I thought he needed more time," said one analyst. "I expected the fruits of what he had been doing to show through this year, analysts are forecasting pre-tax profits of only £2m."

Mr James Hann, chairman, said many of the group's problems were cumulative. At the Castleford plant, for example, environmental difficulties, maintenance troubles and plant unreliability had "all

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built up and suddenly you realise the plant is only running at about 60 per cent."

The group has hired Mr John Markham, who recently resigned as general manager of the surfactants business at Albright & Wilson, the chemicals group, to run the Castleford operation.

The group has sold Kerley, an underperforming US subsidiary. However, City reaction was mixed, with analysts saying it was long overdue and that the £33.6m (£21m) selling price was low compared with sales of about £52m.

Hickson is also withdrawing from performance specialty chemicals with two other disposals in South Africa and the US.

That leaves performance chemicals for the pharmaceuticals, agrochemicals and detergents markets, fine chemicals for pigments and dyestuffs, and protection and coatings for the construction industry.

Since the loss of the Unilever contract the company has been rumoured as a bid target though no names have been seriously attached to it. "The reason nobody in the industry has tried to buy Hickson could be that they know something we do not," said one analyst. But others said potential buyers might be waiting for the company to achieve a more stable footing. If that is the case, they may have to wait some time. Analysts said it was unlikely that Hickson would exceed £20m in pre-tax profits until after 1997.

"It is tempting to say that this is the turning point," said one analyst. "We have to see who they appoint as chief executive."

The address is Manchester.



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Notice of Extraordinary General Meeting

The shareholders of GT BIOTECHNOLOGY & HEALTH FUND (the "Fund") are hereby convened to an Extraordinary General Meeting to be held at 69 route d'Esch, Luxembourg on 27 November, 1995 at 11.00 am with the following agenda:

1. To resolve on the liquidation of GT Biotechnology & Health Fund;
2. To appoint a liquidator;
3. To fix the date of the second shareholders meeting to hear the report of the liquidator and to approve or disapprove the liquidation of the Fund;
4. To fix the date of the third meeting of shareholders to hear the report of the auditor and to decide the close of the liquidation of the Fund.

Resolution under item 1 on the agenda of the Extraordinary General Meeting will require a quorum of at least 50% of the outstanding shares and will be adopted if voted by 2/3 of the shares voting.

If on the date on which the meeting is held, the net assets of the Fund have decreased below two thirds of the equivalent of 50,000,000 Luxembourg francs, no quorum is required for the meeting and the resolution under item 1 will be passed with the consent of a simple majority of the shares represented at the meeting.

If on the date on which the meeting is held, the net assets of the Fund have decreased below one fourth of the equivalent of 50,000,000 Luxembourg francs no quorum is required for the meeting and the resolution under item 1 will be passed with the consent of shareholders holding one fourth of the shares represented at the meeting.

If the quorum is not reached, a second meeting will be held on 5 January, 1996 at the same place at 11.00 am to resolve on the same agenda. At such second meeting there shall be no quorum requirement.

Proxy cards are available at the registered office of the Fund. Proxy cards valid for the meeting held on 27 November, 1995 will also be valid for the meeting to be held on 5 January, 1996.

Bearer shares are requested to deposit their shares at Banque Internationale 3 Luxembourg at least 3 clear days prior to the date of the meeting.

Luxembourg, 9 November, 1995

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Hambro Insurance dips but loss adjusting improves

By Ralph Atkins, Insurance Correspondent

Shares in Hambro Insurance Services slipped 4 per cent yesterday to 81p after the insurance and related services group announced a small dip in first half pre-tax profits to £3.08m (£4.73m) compared with £3.06m.

However, the group said an expected increase in UK claims volumes - due partly to a rising incidence of subsidence after a hot summer - and hurricane losses in the Caribbean would have a beneficial effect on its loss adjusting businesses.

Loss adjusting activities reported a reduced deficit of £261,000 (£432,000) in the six months to September 30.

Those activities would have been profitable, the company said, without more than

£600,000 costs associated with expense reductions and developing computerised operations. The improvement came from its European and international operations.

Hambro said profits in other sectors had been hit by increased competition in core markets for legal expenses insurance plus the costs associated with developing claims handling services.

Overall, profits were below analysts' expectations and yesterday's closing share price was 41 per cent lower than the placing price of 128p at flotation in March 1993.

Turnover fell from £43.4m to £41.2m.

Earnings per share worked through at 2.75p compared with 2.95p.

The interim dividend is maintained at 1.85p.

British Airways chiefs net £2m from share options

By Michael Skapinker, Aerospace Correspondent

Sir Colin Marshall, chairman of British Airways, and Mr Robert Ayling, managing director, have made profits totalling more than £2m from the sale of BA shares.

The group said that Sir Colin, who becomes non-executive chairman in January, exercised options on 601,328 shares on Monday, the day BA reported interim profits up 28 per cent to £430m. He sold all but 10,000 of the shares, yielding a cash profit of nearly £1.5m.

Mr Ayling, who becomes chief executive in January, exercised options on 247,569 BA shares, selling all but 30,000. The sale generated a cash profit of more than £200,000.

BA said that both executives

sold their shares on Monday, when BA's share price fell 8p to 466p.

Both Sir Colin and Mr Ayling transferred the shares to their wives before selling them, for tax reasons.

Following the share sales, Sir Colin holds 48,040 shares in BA. Mr Ayling holds 36,503 BA shares.

Yesterday the shares closed up 3p at 479p.

Mr Robert Grandall, chairman of American Airlines, said he could work with BA as a code-sharing partner. He also said American was also talking to other airlines.

Both American and United Airlines are in talks with USAir, in which BA holds a 24.6 per cent stake.

Observers believe that if BA sells its USAir stake, it might form an alliance with American.



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BUSINESS IN TURKEY

A tale of two cities

Many in business fear that economic instability and government incompetence will lead to a backlash against traditional politicians, says John Barham

Business leaders in Istanbul, Turkey's financial capital, say they have declared independence from Ankara, the political capital. These sober, conservative men are no anarchist revolutionaries. They have grown frustrated by the lack of leadership of a government which they believe has lost touch with their needs and the needs of the country at large.

Mr Isak Alaton, chairman of the Alarko engineering and construction group, says Turkey has "developed a system where the government does not govern. We have become independent from the incapacity of government. The bickering in Ankara does not matter much to the business community. We have adapted ourselves to this situation where the government is no longer relevant."

A more discreet Istanbul banker says: "We have discovered that you don't need a couple of bureaucrats to export, import and invest any more. You just get on and do it." Like Mr Alaton, he is scornful of the politicians. But he adds that economic liberalisation is progressing, albeit at a glacial pace, freeing companies from political interference.

It is easy to understand their frustration. Decades of government economic mismanagement have left Turkey with heavy debts, high inflation and a crumbling infrastructure. For business this means large and

unpredictable shifts in demand, high financial costs and severe short-termism.

Still, businessmen can afford to sound confident. They have just survived, largely unscathed, one of Turkey's worst economic crises. The economy shrank by 4 per cent last year, following a balance of payments crisis and heavy devaluation. Companies responded quickly and decisively, justifying their reputation for fast-tracker reactions. Now profits are reviving strongly on the back of a faster-than-expected economic recovery. Exports are growing. Investment is up.

Although Mrs Tansu Ciller, the prime minister, has promised structural reforms, she has achieved little since taking office in June 1993. Mr Sedat Alöktü, president of the Economic Development Foundation (EDF) business association, says: "Short term [political] benefits exceed the long-term economic benefits of the country."

Politics are very much in the air because general elections are scheduled to be held on



Ciller aides are scathing about the Istanbul millionaires' complaints.



Istanbul business leaders have just survived, largely unscathed, one of the country's worst economic crises.

December 24. The outcome is impossible to judge.

Business has begun speaking with a louder political voice. Last year, senior bosses bluntly told Mrs Ciller that they would refuse to pay any more "one-off" emergency taxes. This year they have urged the government to pursue political liberalisation - so far with scant success - to meet European Union conditions for a customs union in 1996.

Some, such as Mr Alaton or Mr Sakip Sabanci, head of the eponymous conglomerate, have gone so far as to call for a political settlement to end the 11-year Kurdish insurgency in south-east Turkey. This led state prosecutors to accuse Mr Sabanci of infringing Article 8 of Turkey's notorious Anti-Terrorism Law - which the EU is demanding be substantially altered and which forbids any statement threatening "the indivisible unity of the state of the Republic of Turkey." Fortunately, the prosecutors saw reason and dropped charges.

Business reserves its loudest broadsides for government economic mismanagement.

"Everyone knows what the problems and solutions are, but there is no one who can take decisions. If there were, the country could make a giant leap into the future," says one businessman.

Mr Halis Komili, head of Tüsiad, the main employers' association, says: "We have a very, very dynamic private sector but it is doing much less than it could. Reform will allow the private sector to grow faster. But to do all this [we] will need an effective government."

The business community has had little success in influencing policy. Although Mrs Ciller's True Path party is nominally conservative and pro-business, it has adopted a stridently populist tone. It has shelved politically unpopular reform to retain its hold on power.

The Motherland party, which launched economic reform in the 1980s under former Prime Minister Turgut Özal, has lost momentum due to lacklustre leadership. The liberal, free market New Democracy Movement party (YDF) headed by Mr Cem Boyner, a textile magnate, has attracted little popular support.

For their part, Mrs Ciller's aides are scathing about the Istanbul millionaires' complaints. They point out that it is big business that is making a fortune by speculating in government bonds. They add that businessmen have only become more aggressive because succulent government contracts have dried up. And their free market rhetoric does not prevent them from lobbying for government subsidies and incentives, tax breaks and protection for their companies.

The Istanbul hanker, more candid than most, agrees: "All big businessmen are close to the politicians. To be in business you have to have good ties with Ankara and not just the government, but the parties, the bureaucracy, the journalists."

Ironically, the reforms business advocates would, at least temporarily, damage their interests. For example, economic reform would cut the big profits to be made on the financial markets, where the government must pay dearly to

place its bonds. Closer ties with Europe will have a far-reaching impact on business. Although customs union may be delayed for political reasons, it is already beginning to alter Turkey's business culture as EU law on state aid, subsidies, competition, intellectual property and consumer protection is being adopted in national law. One senior European diplomat commented that "the first conviction of a Turkish [trade mark] pirate by a local court for infringing an EU patent will do a great, great deal to modernise business practices."



Ankara: decades of government economic mismanagement have left Turkey with heavy debts and high inflation.

spurred rapid growth in investment. Inward investment and acquisition of Turkish groups by EU companies is also growing. So is investment from non-EU countries: Japanese companies are now the largest foreign investors in Turkey, accounting for about one-fifth of inward investment.

In spite of all its difficulties, Turkey offers important business opportunities. Its population is growing rapidly. Half the population is aged under 30. Sectors ranging from supermarkets to cars are very far from maturity.

However, as Mr Komili noted, the government's dreadful economic management - inflation hit a record 128 per cent last year - is probably Turkey's greatest obstacle to growth. Public sector reform would cut government deficits and lower interest rates and inflation, allowing growth to accelerate at a steadier rate. A US banker says that Turkey could have doubled its 5 per cent average annual growth rate between 1980-94 if it had stabilised the economy.

The great hope now is that the elections will return a

Ciller government with a clear mandate for reform. But many people in business fear that economic instability, government corruption and incompetence or EU rejection of customs union will lead to a backlash against traditional politicians in December's elections and catapult the Islamic fundamentalists of the Refah party to power.

Few bosses add that Refah is benefiting from voters' anger provoked by big business flourishing while their incomes dwindle - or that demands by corporate Turkey for a "leaner and meaner" public sector is understood to mean hardship and unemployment for millions. Refah is hostile to business and to ties with the west. Although executives reassure visitors, with reason, that Turkey has no tradition of religious extremism and that its secular and pro-western values are deeply entrenched, the fear of a Refah election victory is worrying them more and more.

It is ironic that while it is proclaiming its independence from Ankara, the business world is becoming more fearful of the political world.



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II BUSINESS IN TURKEY

■ The economy: by John Barham

Picture of rude good health

The government may have stabilised the economy, but it has done little to deal with the fundamental causes of economic instability

For a country that underwent a wrenching economic crisis a year ago, Turkey is in surprisingly good shape. Business is booming. Investments and exports are surging. Banks are lending more. Quarterly growth rates of 10 per cent reflect a poor 1994 figure but also indicate some firm expansion.

Contrasting with this picture of rude good health is a moribund public sector burdened by chaotic banks, loss-making state enterprises, a bankrupt social security system and heavy debts.

Government officials openly accept that Turkey's economic problems are essentially caused by public sector disorganisation. But they claim credit for restoring a degree of stability by implementing a stringent International Monetary Fund programme last year.

They turned a current account deficit of \$6.4bn in 1993 into a \$2.6bn surplus last year, although a stronger-than-expected recovery is pushing Turkey back into the red with a forecast \$1.2bn-\$1.5bn deficit this year.

Central bank reserves are at a record \$16.5bn, due to high interest rates and renewed government borrowing overseas.

Turkey was frozen out of world financial markets in

early 1994. The government has curtailed spending, cutting public sector borrowing this year to a projected 5.6 per cent of gross national product (GNP) from 8.2 per cent last year.

Inflation has fallen, but remains stubbornly high at 91 per cent between January and September, against 111 per cent in the same period last year.

Exports in the first seven months of the year climbed 27 per cent to \$11.75bn, even though the Turkish currency depreciated more slowly than inflation, cutting exports' international competitiveness.

However, imports - mainly of capital goods and raw materials - rose by nearly half, leading to an \$18.35bn deficit.

The government may have stabilised the economy, but it has done little to deal with the

fundamental causes of economic instability.

● Privatisation is stalled. Revenues of about \$500m so far this year are only one-tenth of the target the government set itself in January.

● Tax evasion is rife. The government says one-quarter of taxes go uncollected, but this is probably a gross underestimate.

Tax revenues are nearly half the Organisation for Economic Co-operation and Development average.

Some economists say the unrecorded economy is as large as the official economy. The government forecasts Turkey's registered gross national product this year at \$149bn.

● Social security reform is halted. The system is bankrupt and needs constant injections from the treasury because retirement ages are low, collection is poor and management weak.

● Fighting continues in the south-east. The 11-year Kurdish guerrilla insurgency could be costing the government as much as \$7bn a year although precise figures are not available.

● A budget in which wages and debt service payments account for nearly two-thirds of spending. Most of the reduction in public sector borrowing has come from a clampdown on state employees' wages.

Not surprisingly, government debt has grown faster than the economy almost every single year since 1980, bringing with it ever-higher interest rates. IBCA, the London-based rating agency, says in a recent report "As a result of this fiscal ineptitude the economy has slipped into a damaging boom-and-bust cycle of growth accompanied by persistently high inflation."

This is where the public sector's problems interfere with the private sector. Inflation leads to high interest rates and short-term horizons, discouraging investment. Executives complain that high financial costs are one of their heaviest burdens in export markets.

Although Turkey has been the OECD's fastest-growing economy over the past 15 years, averaging 5 per cent annual growth, this performance hides great volatility which damages expectations and planning.

Economic turbulence will probably worsen in coming months as Turkey prepares for elections. Governors traditionally allow spending to rip in the months preceding elections.

● Ominously, the IMF's standby programme ends in February, and with it a heavy constraint on irresponsible policymaking. The government managed to meet its performance criteria for the first three quarters of this year. Although slippage is increasing now, the overshooting is not expected to be excessive.

Turkey will continue to underperform economically until its government grapples with public sector reform. Turkey, once in the vanguard of economic reform, has fallen behind Latin America, eastern Europe and Asia. Turkey could become a European tiger economy, possibly posting double-digit growth rates, if only it could rediscover an appetite for reform.



Business is booming: the Grand Bazaar in Istanbul

Photo: Terry Fox

■ Banking: by John Barham

Problems remain despite easy year

Foreign observers are uneasy over the structure of the banking system

After the hammering they suffered in 1994, bankers are having it easy this year. Profits are almost being thrust at them from a debt-ridden government forced to pay higher and higher interest rates as it sinks deeper into the red.

Garanti Bank, widely considered one of Turkey's best private commercial banks, reported first-half net earnings up by just over half in dollar terms to \$56.4m. At Akbank, another large private bank, management says earnings in the first nine months of the year rose by about 50 per cent in dollar terms, to about \$238m.

A heavy devaluation and soaring interest rates last year hit the financial industry hard and caused the failure of three small banks. Profits at Turkey's 10 biggest banks fell by half in dollar terms last year, although their assets shrank by only 17 per cent.

Mr Hüsnü Akhan, executive vice-president at Garanti, says: "The balance sheet of the financial sector at end of June [shows that] most of banks had got rid of the negative effects of 1994 crisis."

Banks are behaving more conservatively and regulators are more vigilant. The government has tightened its controls and imposed taxes and limits on overseas borrowing to cool speculation.

Yet, the bond market is where most profits are still made. One Istanbul banker said: "You have to buy bonds. It's profitable, risk-free and short term and that fills the check list."

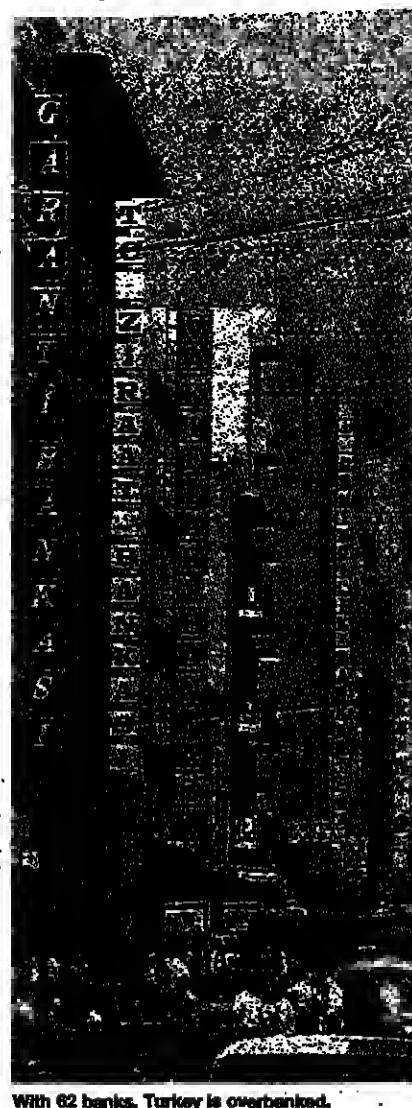
High interest rates are further racked up by a government decision to slow the Turkish currency's rate of devaluation, which increases profits in hard currency terms. Bankers say this policy has sucked about \$5bn-worth of short term "hot money" into Turkey, despite tighter regulation.

Banks are also starting to lend more to companies. Mr Akhan reports that "starting from April, we have seen strong local currency and foreign exchange credit demand from large, medium and small companies, especially in the textiles and food industries. They are investing heavily in machinery and technology."

Long-term loans are only available in dollars or D-Marks. Expensive Turkish currency loans are strictly for very short term needs.

For all the relief at recovery, the financial industry remains saddled with many of the same problems that afflicted it before last year's crisis.

To begin with, profits are still heavily dependent on high-yielding government bonds. This is not an immediate source of concern. Perversely, the banks' easy profits would suffer heavily if economic reform ever takes place - a move which bankers frequently demand - as inflation



With 62 banks, Turkey is overbanked. Consolidation must come sooner or later

and government borrowing dropped. A future government might even reschedule its local currency debt.

The markets are often swept by rumours that Ankara will unilaterally consolidate its domestic debt as part of a wider economic reform strategy, imposing unfavourable terms on bond holders.

Foreign observers are uneasy over the structure of the banking system, in which many of the big private banks are part of larger industrial groups. Although the big private Turkish banks are generally considered to be well-managed, there is an inherent conflict of interest at the heart of their ownership.

Turkey's three largest private banks - Akbank, Garanti and Yapi Kredi - are all controlled by family-owned conglomerates. The banks usually hold shares in these groups' industrial holdings. The holdings do not normally generate ade-

quate dividends, to the detriment of outside shareholders - although the banks say the capital value of their industrial stakes is reflected in their share price.

Bankers say they rarely lead to group companies, but some analysts take these denials with a pinch of salt. Their fear is that trouble elsewhere in the group could drag down an otherwise healthy bank.

The regulators are encouraging the Cukurova industrial group - which owns three banks - to merge them into a single unit. The central bank says that these banks are too weak to operate individually. Cukurova owns Yapi Kredi, Pamuk Bank and Interbank. Analysts worry that it has pursued an excessively ambitious expansion strategy.

Turkey is overbanked. It has 62 banks, of which only the large private banks and their small foreign competitors are considered fundamentally sound. However, inflation often hides their difficulties. Small private banks tend to be undercapitalised and some of them may even be technically bankrupt. Consolidation must come sooner or later.

Lifting the government's unlimited deposit guarantee scheme, introduced at the height of last year's banking crisis, would accelerate reorganisation. The large banks are pressing the government to abolish the guarantee scheme, arguing that it allows small banks to take excessive risks. However, depositors do exact an interest rate premium, realising that if a bank failed, recovering their deposits from Ankara's slow-moving bureaucracy would be time-consuming and vulnerable to heavy inflation.

Although management at most of the state banks has improved, they still continue to distort the banking market badly. The state banks control about two-thirds of the sector's assets. They have privileged access to deposits and borrowers since most public sector bodies must operate through state banks and because they enjoy an implicit government guarantee against failure.

However, state banks are subject to political interference. Ziraat Bankasi, Turkey's biggest bank, is generally considered to be the worst affected.

Privatisation of these banks is advancing very slowly. But two small banks - Sumner Bank and Eti Bank - have split their industrial activities from their financial activities, a basic requirement for future privatisation.

Foreign banks tend to be better managed, more narrowly focused and more successful than their Turkish rivals, although they have the advantage of international connections and blue chip multinational clients. The head of one big New York bank's Istanbul office said: "Every year has been a roaring success. I cannot remember a year in which we did worse than the previous one."

There is little chance that a broader, more mature financial system will emerge in Turkey until the government brings economic stability by eliminating its deficits and inflation.

Making money in these conditions may be easy but it is risky.

It also means that development of standard insurance, mortgage, pension and consumer credit products will remain stunted and "long term" will continue to be measured in months rather than years.

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■ Stock exchange: by Yekta Pinar

Buzz returned at the end of September

Liquidity levels remain very much at the mercy of erratic overnight rates and yields on government paper

Given the attention to detail in the recently-opened high-tech building that houses the Istanbul stock exchange, the failure to engrave a public health warning above the entrance to the trading room is all the more conspicuous. The sign should read: "Sufferers of high blood pressure, keep out."

Istanbul is the classic emerging market, highly volatile but hard earning when it decides to move. Typical was the week in the middle of October when, after a summer of drift and decline, the market put on 7 per cent, largely as the result of a single day's trading. This lifted the ISE-100 index by 33.6 per cent from January 1, in US dollar terms.

Still vivid in investor memories are the even more dramatic swings in fortune - once at the outbreak of the Gulf war, and again in February 1994, when the previous year's gains of more than 200 per cent in dollar terms were erased by a devaluation crisis. Expectations turned bullish once more this spring. Frenzied rallies pushed the index over 55,000 and produced (on April 21) a record transaction volume of \$563m.

Just as general parameters of the Turkish economy continue to be set by the government's own borrowing requirement, liquidity levels in the ISE remain very much at the mercy of erratic overnight rates and yields on government paper.

It was political uncertainty as much as alternative forms of investment, however, which prevented another rally this summer. The market anticipated with some accuracy that a September party conference of the Republican People's party, minority partners in the government, would threaten the life-span of the coalition.



Istanbul is the classic emerging market: highly volatile but hard earning

The buzz returned at the end of September. International investors (normally 10 per cent of the floor) came rushing back when the index fell below 42,000 and on news that stocks were historically underpriced. The point was driven home when some companies, riding the inflationary wave in the economy, began reporting strong third-quarter results.

After profit-taking at the end of October, the market is now finding support at 45,000. It is poised on two events - the outcome of Turkey's attempts to join a customs union with Europe and the result of December's general election. Industries which do well out of pre-election public spending may suffer the period of austerity expected to follow.

Although in the first instance customs union may actually work against Turkish industry - it involves the immediate removal of some \$1bn worth of protection - companies with an ISE listing are fitter and are regarded as likely to be among the net beneficiaries.

The outcome of the elections is equally difficult to forecast. Most analysts cannot predict the fortunes of the pro-Islamic Refah party. Yet at least one or two London brokers are prepared to take a position now.

Some calculate that a clean victory for parties of the centre would encourage the index to leap. That confidence is shared by the exchange authorities themselves. Istanbul is making a name for itself despite conditions of economic and political

instability, according to Mr Ismail Kovac, ISE spokesman. To those who would argue that Istanbul is attractive precisely because of that instability, the reply is that the exchange is not so much the Wild West but more like a territory on the verge of statehood. Certainly an active capital market board has shown a willingness to challenge publicly the worst excesses.

Trading and settlement (two days after the transaction day), is at least efficient and reliable compared with other emerging markets. Custodial risk has been reduced with the transformation of the ISE Settlement and Custody Company into a Clearing and Custody Bank. Shareholders can use a code on the phone line to check their accounts.

Mr Tuncay Artun, exchange chairman, has been the prime mover of a Federation of Euro-Asian Exchanges whose members range from Bucharest to Delhi. Istanbul is also trying to set up a dollar-denominated Euro-Asian exchange to allow an easily-accessible flit-flop on Uzbek or Iranian stocks.

Foreign traders will be able to operate within a free trade zone inside the exchange building itself.

Even normally listed shares are still not nominated in the bearer's name, and at present investors pay no tax on dividends or capital gains. There are also no restrictions on the repatriation of earnings, although in theory foreign investors are required to keep domestic books.



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مكتبة الامير

■ Business and industry: by John Barham

Ready for fresh challenges

Turkish business's reputation for resilience, flexibility and rapid reaction has been vindicated

The business men in Istanbul this autumn are unmistakably smug. Turkey's bosses feel that having weathered the country's worst economic downturn in decades with relative ease, they can withstand almost any challenge.

Sales and profit slumped following a balance-of-payments crisis and devaluation. The Koc Group, Turkey's biggest blue chip company, reported a 43 per cent drop in sales last year, but terms to \$8.15bn and halving its pre-tax profit to \$632m.

Thames and its subsidiaries, however, have almost every business in Turkey. Companies have cut thousands of employees and slashed investment budgets. However, they did not report an increase in bad loans. There were few bankruptcies. On the contrary, the best-managed companies saw the crisis coming and prepared for it by seeking export markets or shedding debt.

Isak Alkon, chairman of the large Akso engineering group, says: "We saw the crisis coming and we decided to become liquid, become totally debt-free, and the cash we invested [in money markets] sometimes at 1,000 per cent interest." The worst of the crisis was over by the end of this year, Turkish business's reputation for resilience, flexibility and rapid reaction was vindicated.

Profits across industry have climbed strongly in real terms in 1995, partly reflecting last year's dire performance, but also indicating a strong recovery. Although domestic demand has recovered, sales are muted. Instead, exports are climbing steadily. By July, foreign sales had increased by just over 25 per cent to \$11.75bn.

Bankers are also reporting a resumption in investment. Mr Kemal Kiprili, senior vice-president at Istanbul's Interbank, says: "Investment is being financed by people who doubled or tripled their money during the crisis. When interest rates fell, then a number of companies decided that the return on manufacturing investment was greater."

While business executives are fully entitled to feel proud to have survived 1994, few are under any illusion that the future will be much easier.

Next year, if all goes well, Turkey will form a customs union with the European Union. The Europeans who dug ago opened most of their markets to Turkey will only gain duty-free access to Turkey in 1996. One Turkish businessman said candidly: "We realised only in March [following EU governments' approval of customs union] that this was serious. This

always happens, specially in medium companies. We always wait until the last moment. There is a tradition in Turkey that if you are not against the wall, your performance will be poor."

Even the most competitive sectors of Turkish business, such as textiles, realise that bigger, stronger and more sophisticated European players will hit them hard - fatally in some cases - in their still well-protected and often highly profitable domestic market. With the possible exception of the top-ranking local companies, Turkish business is much less productive than its European counterparts. The same goes for quality, innovation, and management techniques.

Although investment has picked up by about half in the first three quarters of this year, it is still 5 per cent lower than in the rapid growth year of 1993. Interest rates are still high enough to allow many companies to make most of their profits from financial markets rather than from their business operations.

Investment by Turkish companies is also lagging behind their competitors in Europe and, more critically, in the more dynamic economies of south-east Asia.

Companies are now investing - very often belatedly - in technology to meet increasingly stringent international quality, design and technology standards. They are adding capacity to attain economies of scale and improve productivity.

Furthermore, Turkey's adoption of EU



Piracy should begin, to decline counterfeits, sports bags on sale in Istanbul. Picture: Jey Kay

trade, consumer protection, intellectual property and competition rules will have a profound impact on business. Piracy, shoddy goods, dishonest marketing, overt government subsidies - all common in Turkish business - should begin to decline.

Whatever the immediate outlook for customs union, Turkish business has accepted that there will be no return to protectionism. Already, Turkish companies are keen to develop closer links to international partners. The beginning of what may be a long process of rationalisation and takeover activity in industry - usually involving European groups - seems to be emerging.

Unilever, the Anglo-Dutch food and consumer goods group, took over the export business of Kumlil, a local olive oil and soap maker. Bosch of Germany has paid \$150m for a 65 per cent stake in FEG-Profile, Turkey's second-largest white goods company. Investment bankers say there are many more alliances, mergers and acquisitions in the pipeline.

Exports are no longer seen simply as an opportunistic reaction to a depressed local market, but part of a development strategy. For instance, Turkey's car industry, which is supposed to be threatened by import competition, is linking with its European allies.

Tofas, which produces Fiat cars under licence and is Turkey's biggest car producer, is integrating operations with Fiat of Italy. All Fiat Tempra are made by Tofas and exported to Europe.

Mr Jacques Chavret, general manager of Renault's Turkish affiliate, says the issue of "integration is on the table. Renault means to take a global view." Renault is broadening its local product range by importing more models from France. The manufacturer is encouraging its suppliers in Europe to move to Turkey. Unlike Fiat, Renault does not yet feel sufficiently confident to produce cars in Turkey for export.

Closer ties with the EU are prompting stronger investment by non-European companies seeking a low-cost bridgehead. Japan is now Turkey's largest single foreign investor, accounting for just under one-fifth of inward investment.

Given the difficulties of the past two years it is not surprising that business planning tends to be defensive and export-oriented. Yet nobody can afford to ignore Turkey's domestic market. It has a population of 62.5m that is growing by 2 per cent a year. Half the population is under 20. Demand for consumer goods is strong, particularly since so many households still lack appliances that many Europeans would consider as basic.

However, Turkey's greatest handicap is its turbulent economy in which demand can rise and crash with unpredictable speed. Business leaders are right to say that their greatest handicap is incompetent economic policy-making in Ankara.

■ Retailing: by John Barham

Hungry young consumers

Demand may be volatile, but is fundamentally strong: the economy has grown an average 5 per cent a year since 1980

Marks and Spencer, Britain's best-known retailer, has no trouble with its image in Istanbul. It opened a small, four-floor store in the city's chic Nisantasi shopping district in September and swiftly sold all its stock.

Fortunately for Istanbul's status-conscious consumers, M&S flew out emergency supplies to the store, which is run as a franchise operation by a Turkish group.

While rivals sneer that the rush at M&S will not last, it did show just how promising retailing in Turkey can be. The industry is underdeveloped - Istanbul, a city of about 12m, has only four large shopping malls. One of them, the imposing Akmerkez mall, won an award as Europe's best shopping mall.

Above all, Turkey has a young and rapidly-urbanising population with a heavy appetite for brands and appliances. Demand may be volatile, but is fundamentally strong: the economy has grown an average 5 per cent a year since 1980, although profits in the retail industry have grown four times faster.

Mr Bülent Özyıldırım, general manager at Migros Turk, Turkey's biggest supermarket chain, says modern retailing only really came to Turkey about five years ago, after the government liberalised the economy.

Now, he says "we are running a marathon at the pace of a 100-metre race." The Koc conglomerate took Migros over from its Swiss partner in 1974 and began rapid expansion in 1990, just as the first foreign companies began arriving.

Switzerland's Metro was the first foreign group in. It opened the first of its six stores in Istanbul in 1989. Since then the likes of Carrefour and BHS have arrived and others such



Ankara shopping mall: managers complain about a shortage of brands

as Tesco are looking around.

Margins are high. Migros had a gross operating margin of 16 per cent and a net margin of 5.4 per cent in 1994, although the company made most of its money by channelling cash-flow into the high-yielding government bond market.

In 1994, a very bad year for business, Migros increased net profit by 77 per cent in dollar terms to \$13.2m even though sales fell 3 per cent. Migros says its profit growth normally averages about 20 per cent a year.

Growth is driven by expansion to meet powerful demographic forces. The population is growing by 2 per cent a year. Half the 62.5m population is aged under 20. Turkey is also

urbanising rapidly. Although executives say disposable incomes are rising faster than official figures indicate, wealth is also believed to be becoming more concentrated. Estimates of Istanbul's spending class varies between only one-quarter and one-tenth of the city's population.

Retailing is still dominated by the ubiquitous Bakkals, or small corner shops. They are friendly, prepared to sell on tick, open late, take telephone orders and are happy to deliver. Migros says the Bakkals control about 85 per cent of Istanbul's retail market.

Yet these days are numbered. Migros is already targeting the Bakkals and their high margins with its chain of \$ok outlets.

lets, small discount stores selling basic grocery products. Migros also tends to strengthen its lock on its main middle class market with an aggressive investment programme to quintuple turnover to \$1.5bn by the year 2000.

As the market develops it should also become more sophisticated. Shopping mall managers complain that progress is hampered by a shortage of brands. Mr Aydın Bilgin, general manager of Capitol, Istanbul's newest mall, says: "You are seeing the same shops at all the centres."

Specialisation should gather pace as more players enter the market. For example, Radio Shack, the big US electronics retail chain, is planning to open a store in Istanbul. Several European DIY chains are also planning to enter the market.

Customs union should further improve the range and quality of products and lower prices once European imports enter Turkey duty free. Mr Doğan Bolak, M&S's Turkish partner, says prices at his new Istanbul store are about one-third higher than in the UK. Once customs union comes into effect, the difference should fall to 1-2 per cent.

Expansion is a two-way street. Migros is building a store in Baku, capital of Azerbaijan, and wants to expand into other former Soviet states and into eastern Europe.

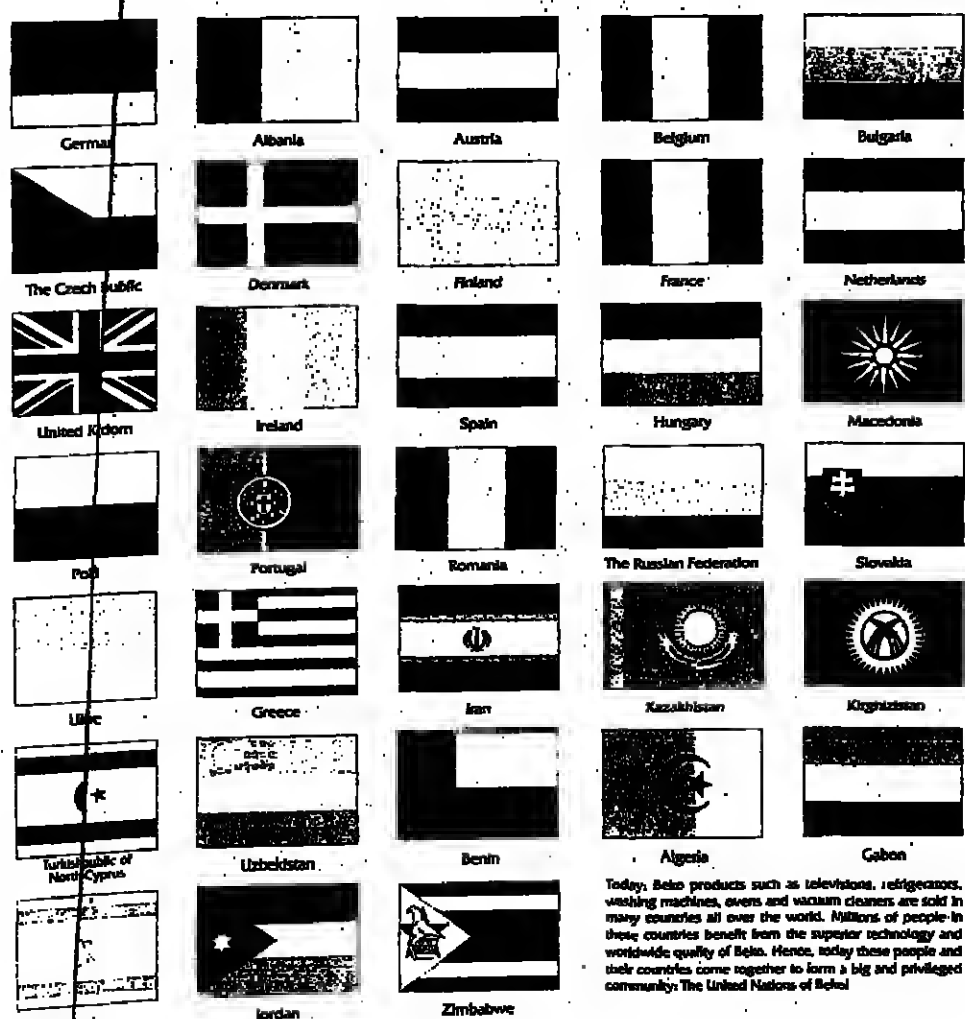
The principal problem confronting the market is Turkey's chronic economic instability. Capital's Mr Bilgin says: "If people believe they have got stability, then they will start to spend. But you can't tell what will happen. You can't make plans."

However, stability would bring lower interest rates, ending retailers' magnificent returns from financial markets. Yet the experience of Brazil, once plagued by heavy inflation, is encouraging.

US drugstore giant Wal-Mart will invest \$118m to build five stores in São Paulo, Brazil's largest city, similar in size and demographics to Istanbul. The retail industry will invest more than \$30m in Brazil by the year 2000 - more than the car industry.

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IV BUSINESS IN TURKEY

■ Customs union by David Tonge

Closer to Europe

The rules of business have been dramatically rewritten, with Turkey introducing competition legislation equivalent to that in Europe

This year has been Turkey's year of Europe. If Ankara has its way, the year will culminate in the European Parliament endorsing the customs union agreement with the EU signed on March 6. But, even if this vote is postponed, a momentum has been built up linking Turkey closer to Europe than at any time since the Ottoman troops first pitched tents outside the walls of Vienna.

EU foreign ministers confirmed on October 30 that they see no technical details preventing customs union between Turkey and Europe. For European business, Turkey's long-closed markets are virtually open. The past two years have seen a dramatic acceleration of Turkey's tariff reduction programme.

This has continued throughout 1995, so that for most producers the level of protection against goods from the EU has been slashed. Final abolition of tariffs and levies on goods from the EU is due at the end of this year, although this could be delayed if the European Parliament fails to endorse the agreement.

Turkish business has on the whole welcomed the change. Mr Sakip Sabanci, head of the Sabanci group, Turkey's second-largest conglomerate, says: "It will make us more dynamic. Of course, we did well with customs protection. But that is finished now. Instead, I have to provide world-quality goods at competitive prices and with the correct service. Some companies will have difficulties. But it will help my country."

In parallel with tariff reduction, the rules of business have been dramatically rewritten, with Turkey introducing competition legislation equivalent to that in Europe and much

improving its long-criticised intellectual and industrial property regimes.

Even without customs union being formally introduced, these changes have already encouraged many leading international companies to reappraise their policies in this traditionally exotic market. Bosch has just bought a controlling share in Profile, Turkey's second-largest white goods company. US food manufacturers have been building up their presence in Turkey. British supermarket multiples are beginning to explore the route already beaten by Carrefour, Makro and Promodis. And south-east Asian car manufacturers are investing in Turkey as a route into Europe. Turkey's manufactured goods have long entered the EU duty-free.

With more than half of Turkey's trade already with EU countries and the bulk of

The socialist group in the European Parliament has been briefed

direct investment originating in Europe, the commercial links are solid - and will certainly grow when Turkey's textile and garment industries have unrestricted access to Europe.

While the trading relationship is solid - and helped by Turkey's importance as a route to the new republics of central Asia - the political debate has also taken on a new dimension. The formal side of it includes increased institutional mechanisms for political dialogue with Turkey. However, far more dynamic has been the interchange between Turkey and Europe on democratisation.

The very real prospects of the socialist group in the European Parliament blocking customs union led to July's changes in the constitution and to October's minor amendments in the notorious Article 8 of Turkey's anti-terrorism law which has been used to jail several hundred Turks on

charges of separatist propaganda. This prospect has also caused sensitivity to the fate of the six pro-Kurdish DEP deputies sentenced last December and whose appeals recently failed.

For Coshun Kirca, recently foreign minister and now minister of state responsible for Turkey's relations with Europe, "democracy is a process, an ideal", to which Turkey is committed, both morally and through its treaty relationships with the Council of Europe. He warns that any delay in the European Parliament will be interpreted as a victory by the fundamentalists in Turkey opposed to the country becoming closer to Europe.

The socialist group in the European Parliament has been fully briefed on this concern and it remains to be seen how it will balance this with the broader issues of civil liberties in Turkey.

On November 22, the Committee for Foreign Affairs, Security and Defence of the European Parliament is due to discuss the matter, with its recommendations to be taken up by the full assembly of the parliament on December 14. The 22-member committee is generally considered to reflect accurately the mood among the 622 members of parliament and, should the mood appear negative, it is probable that the committee would decide to delay the matter by failing to produce a recommendation, thus preventing a vote.

The preference for delay rather than a rejection comes in part from the legal ambiguities surrounding the vote. The Turks argue that the customs union was already agreed by member states in 1970. In private, the European Commission to some extent supports this, describing the customs union agreement as a technical one rather than a political one.

All of which means that, whether in December or some time next year, a positive vote is likely and Europe's customs union with Turkey would formally reflect the growing links which have already developed with this long-marginalised country.

David Tonge is chief executive of IBS Research and Consultancy

INTERVIEW

Sakip Sabanci

'The goal is to sell shares overseas'

Sakip Sabanci, 62, is one of Turkey's leading business figures. He heads the Sabanci (pronounced Sabandji) family industrial empire. Its 47 companies employ 30,000 people in businesses ranging from banking to cars to textiles with an annual group turnover of \$6bn. Sabanci is Turkey's second-largest conglomerate.

Like other top Turkish industrialists, Mr Sabanci's influence extends well beyond the business world. He has repeatedly called for the government to pursue economic reform with greater determination.

He has advocated a political solution to the 11-year conflict with Kurdish guerrillas in the south-east of Turkey.

In a wide-ranging interview in the group's twin tower headquarters overlooking Istanbul, Turkey's corporate capital, the extrovert Mr Sabanci discussed Turkey's principal management, economic and political issues. Question: How do you evaluate the current business climate?

Answer: As an industrialist, the situation has got better this year. With the situation now I have more profit, more exports, I pay more taxes and invest more, buying equipment and capacity. 1995 in dollars (terms) is getting better and better. For instance, turnover at Sasa (producer of man-made fibres) is \$400m. In the next four years we estimate additional capacity will raise this to \$1.2bn. Profit at our finance arm Akbank rose strongly. Sabanci's end-of-year profit will be \$100m.

Can you explain how you are reorganising the Sabanci group?

McKenzie (the US consulting firm) has been working with us for several months about preparing for the next generation. How we do this is my most important area, not just opening more factories. By 2002 our strategy will be to focus on 10 sectors each with at least \$500m turnover. There will be new areas: telecommunications, energy, petrochemicals, which we will enter either via privatisation or direct investment.



Sabanci principal management, economic and political issues

Turnover will increase from \$6bn to \$15-20bn. Do you also intend to reduce the family's stake by selling equity to outside investors? We will sell more and more shares. We will float shares in companies, although this will take time. In 1996 we plan to sell shares in the holding company and Sasa. We already have 10 listed companies. The goal is to sell shares overseas. We are also

discussing human resources, privatisation, how to expand outside Turkey.

How will the planned customs union with the EU affect Turkish business?

There already is competition for everything. There are no more high customs walls. In the near future (with customs union), there will be yet more competition. Customs union will bring many advantages to Turkey. From my point of view it will bring dynamism and competitiveness. But some small and medium companies will have difficulties. Even Sabanci will have difficulties in some areas. Competition pushes us. And if we join others we can exchange ideas and learn. How does Turkey's political turmoil affect you?

It seems to me that Ankara and the politicians are in a different area from producers. Ankara is moving slowly and is not successful. But businessmen are dynamic. In the last 10 years Turkey has suffered [worse] problems. But in the last 10 years we did joint ventures with Dupont, Toyota, Philip Morris,

companies that are leaders in the area.

How will Turkey attain political and economic stability?

It will take many years of work and it will come. We must wait for a stable government and a strong opposition party. Some politicians say 'This is not your era' and I answer that the economic and official arenas joined together. In recent years I said we need a new election law which if it is good will take us toward goal of strong and stable government.

What kind of threats Islamic fundamentalists of the Rafah party present?

If I believed that Turkey could become another Iran I would not plan for the year 2002 and making large investments. Sometimes it is easy for opposition parties to talk, but they change when they enter government. At board meetings in Europe and America, of course Ref is on the agenda, but I don't worry too much.

John Baram

■ Textiles by John Baram

Bankers report lending surge

The industry is now in the throes of rapid expansion, piling on investment in capacity and technology

At some point in the past 12 months, hundreds of mainly small and medium Turkish textile companies reached the same decision independently. They reasoned that a planned customs union with the European Union was inevitable and would radically

change their businesses. The elimination of trade barriers with the EU in 1996 would be followed later by the dismantling of worldwide restrictions on the textile and clothing trade.

They decided to embark on a crash investment programme. The industry, one of Turkey's most successful exporters and largest employers, is now in the throes of rapid expansion, piling on investment in capacity and technology.

Bankers report a surge in lending to textile and clothing companies to finance imports of machinery. In the first eight months of the year, the government issued \$3.5bn worth of investment incentive certificates for textiles.

Turkish companies have big markets to develop in Europe. Ms Nur Ger, head of the clothing industry's trade association, says: "The textile and clothing industries already produce \$10bn worth of goods a year and \$7bn is for export."

More than two-thirds of these exports go to the EU, and half of these exports go to Germany. Recorded textile exports are likely to double in 1996. Although most of the exports are subject to quotas, in most cases the limits are so high that in practice they represent few difficulties for Turkish exporters.

Ms Ger says the real benefit of a customs union will be psychological: "We speak the same language. We are producing short-term-delivery fashion products for the middle class market. We will work to the same rules as the EU. Our market will be open to the Europeans."

Furthermore, customs union will give greater impetus to integration of design, production and marketing operations as EU companies move less profitable activities to low-cost countries such as Turkey.

Within Turkey, activity is moving away from the established centres of Istanbul and Izmir.

Companies are responding to government investment incentives to locate new factories in the interior of Anatolia. Turkey, a large producer of cotton, is expected to increase production rapidly. Cotton output is expected to double to 1m-1.2m tonnes a year once the huge Gap irrigation project in south-eastern Turkey is complete.

However, the EU will still retain some important comparative advantages in textiles and clothing over Turkey, according to the Clothing Manufacturers Association.

To begin with, productivity in EU countries is double Turkey's. Energy prices in the EU tend to be lower. Financial costs are also considerably lower. Raw material costs between Turkey and the EU are not significantly different.

Although the industry is progressing rapidly, quality and value added are still poor. Mr Batu Tesder, export manager at Zeki Triko, a Istanbul swimwear maker, says he imports fabric from EU countries in order to meet the high standards of his export markets.

"Turkish suppliers are terrible," he says, stretching some Italian fabric. "See this? It's all black. Turkish suppliers used to send me stuff that went



A crash investment programme is under way. Companies are borrowing to finance imports of machinery

white when it stretched. No good."

Zeki Triko, a family-owned company with 150 employees and annual turnover of \$10m, has carved out a lucrative niche for itself. But Mr Tesder says that EU markets are so competitive that there is little room for profit there.

The real money is still to be made in Turkey where margins are up to five times greater than overseas.

He is unsure whether customs union will be good or bad for his company. It will certainly increase competition and Zeki's premium prices of \$100 a swimsuit may have to come down.

Mr Tesder has one word of advice for his Turkish competitors: "Quality, quality, quality. It is better than it was, but they have to think about quality more."

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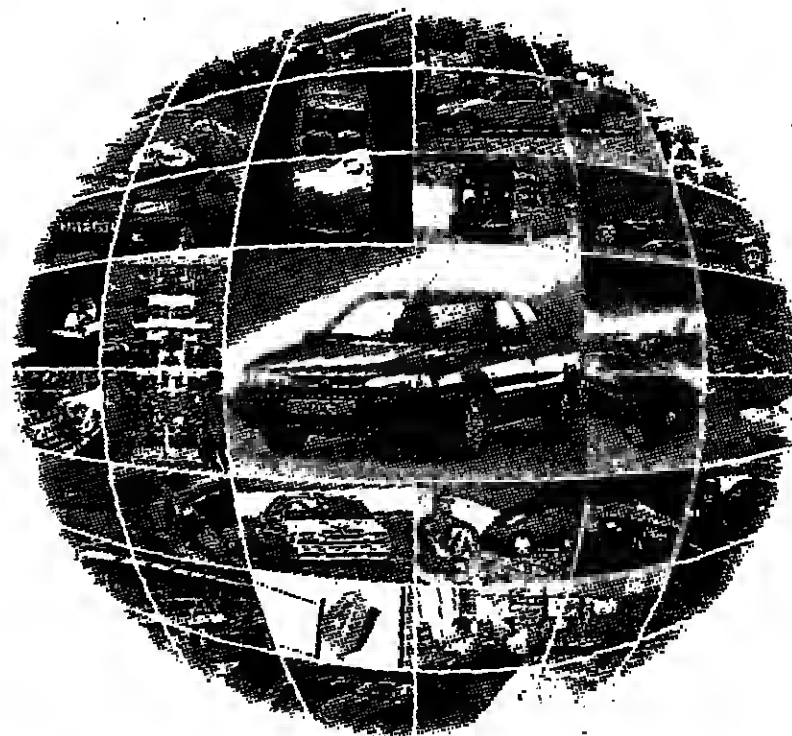
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مكتبة الأمل

COMMODITIES AND AGRICULTURE

LME plans inquiry into copper price volatility

By Kenneth Gooding, Mining Correspondent

The London Metal Exchange is to hold an inquiry into the present state of its copper market. Mr David King, the exchange's chief executive, announced yesterday that the inquiry would be held in the form of a "discovery" and the exchange had no plans to intervene in its operation.

The exchange executive has previously prevented a disciplinary market-making inquiry. Mr King and one of his colleagues are not fully in touch with the situation in all LME markets via a confidential reporting system. He said the inquiry would simply enable him to get more detailed information. It would give some comfort to some copper users.

News of the inquiry followed quickly after the International Wrought Copper Council, which represents mainly fabricators in Europe and Japan, wrote to the LME voicing its concern about market volatility. Most fabricators use the exchange's prices for their contracts.

Consumers have been particularly worried about the premiums being charged for immediate delivery over the three months delivery price on the LME. This premium or backwardation has reached \$220 a tonne in recent weeks. Last night it was at \$175 a tonne compared with \$200 at the time of the inquiry.

Analysts argue that the copper market is particularly prone to volatility because supply and demand have been closely balanced for some time. Any news of supply interruptions causes fabricators to rush to buy extra metal to protect their future production.

Although most analysts agree that a global surplus of copper is either already developing or will do so next year, present stocks are low and much of the copper in LME warehouses is understood to be tightly held by organisations that either have commitments to deliver physical metal or are involved in financing schemes.

Some analysts also suggest that recent volatility has been caused by US hedge and commodity funds selling short, selling metal they do not own in the expectation that they could buy it back later at a lower price - and having to cover their positions.

The LME's inquiry will dig more deeply into this situation. In his notice to LME members yesterday, Mr King said that he would ask for more information about such things as client positions, credit lines and trader-consumer relationships.

Nigeria looks to the sea for oil sector's future

Deep-water drilling has begun in the country's new offshore blocks, writes Paul Adams

Oil majors have begun deep-water drilling in Nigeria's new offshore blocks, which could transform the oil industry of Africa's biggest producer. In 1993 ten multinational signed production sharing contracts to develop new fields with no government equity, which if successful could take over in the next century from the existing joint ventures with the government in the Niger delta.

But at water depths of up to 2,000 metres, this is a frontier basin and the multinationals warn that they must find bigger oil fields than those now producing in the Niger delta if the new acreage is to prove commercial.

The industry has a rule of thumb that for every metre of water a well has to be drilled, it must produce 100 barrels of oil in the first year of drilling.

Others such as Amoco of the US and Canada's Alcan, which is in partnership with a local company, have also signed up as partners and to

"To find one giant field which would produce about 200,000 barrels a day we would expect to pay \$350m and another \$1bn developing it, so we are likely to spend \$1.5bn before we turn the tap over a period of six years from now," says an exploration engineer with one of the majors in Lagos.

Still there was no shortage of demand for the new acreage. The six existing big producers of Nigeria's 2m barrels a day - Shell, Mobil, Chevron, Elf, Agip and Tetraco - all signed up and BP returned after a 14-year gap since nationalisation.

There were also three big newcomers to Nigeria - Norway's Statoil in its alliance with BP, Exxon and Conoco. Shell has taken 11,000 sq km in five new blocks and is spending \$50m in the first year of drilling.

Others such as Amoco of the US and Canada's Alcan, which is in partnership with a local company, have also signed up as partners and to

spread the risk the majors have bought into each other's blocks.

"The drilling could be 2,000m below sea and the cost is partly determined by how deep you go, so at a total depth of 5,000m it might cost \$25m to drill a single well," says an exploration engineer in Lagos.

The BP Statoil alliance, which began the drilling in August at shallower depths, with two wells in 325m and 500m of water is drilling up to a total depth of 3,000m at an estimated cost of \$15m a well.

Statoil, the operator, has a ten-well option with Willrigg using the latest generation of semi-submersible rigs, which float but are anchored to the sea bed, and has paid for them to be upgraded to drill at up to 800m depth. It is committed to drill eight wells at a cost of \$350m.

In September Shell (in partnership with Exxon, Agip and Elf) began drilling about 150km

off the coast of Warri in 1,000m of water with a rig brought in by Sedco Forex that can drill a further 3,500m below the sea. "This is one of only a dozen rigs in the world that can drill at such depths," says Mr Femi Lalude, general manager of Shell Nigeria Exploration Company, which was incorporated to operate only in the new blocks.

Since Nigeria's first commercial discovery in 1956, all production has been on land, in swamp or in shallow water off the Niger delta. In 1992 the Nigerian government awarded exploration licences to ten multinational oil companies as joint venture partners, mostly offshore but also in the Gonga basin in the northern arid zone.

The deep water blocks are so far unexplored, but experts rate them as highly prospective. Less is known about the onshore blocks in the Gonga basin.

The production-sharing contracts free the oil majors of the

financing delays experienced by the operators of the existing joint ventures with the state-owned Nigeria National Petroleum Corporation, which owed them \$700m at the start of this year. The offshore blocks also by-pass the problems of operating onshore in the Niger delta, where community relations between the operators and mostly impoverished local communities have led to violence and over 100 stoppages for Shell alone in 1994.

The signature could allow Nigeria to reach its stated target of 25m barrels of proven reserves and 2.5m barrels a day of production, which the current joint venture structure cannot achieve. The industry needs to invest about \$5bn a year to hit those targets. The Nigerian government cannot afford its 56 per cent share of that cost but refuses to reduce its equity. As a result production has slightly declined over the past two years, despite repeated warnings from the oil majors to the government.

Analysts link diamond price rise to Russian contract negotiations

By Kenneth Gooding

Price increase for very big rough diamonds announced yesterday by De Beers Central Selling Organisation was probably linked to discussions going on between a South African group and Russia about a new sales contract, analysts suggested.

The CSO, which controls about 80 per cent of world trade in rough diamonds, said prices of stones of two carats or more would go up by 5 per cent. This is the second time in four months that prices for these types of diamonds have been increased. In July the CSO announced a price realignment that involved an increase for big diamonds and a cut of about 10 per cent in very small stones.

De Beers insisted that the

yesterday's move was "market driven" and followed persistently strong retail demand in the US and Japan, the biggest markets for diamond jewellery. Diamond prices, a newsletter published by the CRU international consultancy group, said large diamonds had been attracting a premium above the CSO price in Antwerp. But he also pointed out that it was extremely unusual for the CSO to announce a price increase at this time of year. "Perhaps it is a sweetener for the Russians to help negotiations along."

The five-year contract between the CSO and Russia, which was due to expire on December 31 and negotiations for a new one have been difficult and complex. The CSO cut the price of small diamonds, blaming the small diamond exports from Russia

for a glut of these stones, the Russians were upset and accused the organisation of starting a price war. There are signs that the relationship has improved recently but a draft new contract has still to be drawn up. Mr Michael Spriggs, analyst at SBC Warburg, said: "The issues are complex and Russian politics so difficult at present that I would not be surprised if we don't have an agreement before the year end". He pointed out that the CSO had only one "right" or sales session before the year-end, so the increase would have little impact on the CSO's sales this year. But these were likely to reach a record \$4.5bn against \$4.25bn in 1994. Nevertheless, Mr Spriggs expected De Beers to report unchanged earnings for 1995.

Go-ahead given for MIM's Queensland copper-gold project

By Nield Tait in Sydney

MIM Holdings, the Brisbane-based mining company, and the smaller Savage Resources yesterday announced that they were going ahead with the \$850m (US\$535m) Ernest Henry copper-gold mine in north-west Queensland, following the grant of key mining leases by the state government.

The mine, to the north-east of Cloncurry, will take about two years to build and should be in production late in 1997. Its proven and probable reserves are put at 127m tonnes, grading 1.1 per cent copper and 0.55 per cent gold. Initial plans are for a 15-year mine life with annual pro-

duction averaging 95,000 tonnes of copper and 120,000 tonnes of gold.

MIM, which holds the controlling 51 per cent interest in the project, will buy all the mine's production. Although some concentrate may subsequently be exported, the main intention is to utilise MIM's smelting facilities in Mount Isa and its refinery in Townsville.

MIM acquired its stake in the project for \$450m in 1993, after a lease dispute between Savage and Western Mining Corporation resulted in WMC having to cede full ownership of the project to Savage. Savage said its contribution would be funded by \$450m of cash already held and project financing now being arranged.

MARKET REPORT

Gold resists downward pressure

The GOLD market was steady yesterday after resisting modest selling and efforts to probe support levels after Tuesday's leap higher, London dealers said.

"The encouraging thing is that Europe tried to pressure it and it held up very well," said one. The London price slipped briefly to a low of \$383.70 a troy ounce, but spent most of the time trapped around \$385 after topping at \$385.30. It closed at \$384.80, up \$2.35 on the day.

On Tuesday afternoon the price had jumped over \$3 on investment fund short-covering and options-related buying. But it stalled after touching \$385.40 an ounce. The upward trend was resumed, however, after the London market closed and the New York November futures position ended the ses-

sion \$3 up at \$385.40. New York dealers said Commodity Exchange (Comex) traders were waiting for open interest (uncovered contracts) figures to see if Tuesday's move was mainly due to short-covering or fresh buying.

The gold market could see further strength this week ahead of Friday's Comex option expiry if option writers were forced to cover positions, dealers said. "The market is looking all the more healthy since it established such a good base down around \$381 and \$382," one commented.

At the London Commodity Exchange COCOA futures hit nine-week highs early on, but most gains were pared by the close in response to producer selling and some profit-taking, traders said. "There was origin selling, including some from the Ivory Coast," said one. "There was offering into the forwards, and it kept a lid on prices."

At the close the March delivery contract was up \$2 at \$370 a tonne, having touched \$393 at one stage.

Traders said the early upward move had been inspired by a technical rally on the New York cocoa futures market on Tuesday, which saw prices soar to 10-week highs. LCE robusta COFFEE futures ended firm but off the highs as short-covering ran into some producer selling.

By the close, the spot premium had weakened slightly after soaring to \$218 a tonne on a lack of tenders against the expiring November position.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Associated Metal Trading)

ALUMINIUM, 99.7% purity (3 months)

Close 1065.5-64.5 1065.5

Previous 1065.5-64.5 1065.5

High/Low 1065.5-64.5 1065.5

AM Official 1065.5-64.5 1065.5

Karb close 1065.5-64.5 1065.5

Open int. 225,712

Total daily turnover 30,964

ALUMINIUM ALLOY (3 months)

Close 1390-400 1435.5

Previous 1410-50 1435.5

High/Low 1410-50 1435.5

AM Official 1410-50 1435.5

Karb close 1410-50 1435.5

Open int. 3,315

Total daily turnover 1,144

LEAD (3 months)

Close 971-72 975

Previous 961-3 975

High/Low 961-3 975

AM Official 961-3 975

Karb close 961-3 975

Open int. 33,740

Total daily turnover 5,186

NICKEL (3 months)

Close 8505-15 8550

Previous 8505-15 8550

High/Low 8505-15 8550

AM Official 8505-15 8550

Karb close 8505-15 8550

Open int. 44,300

Total daily turnover 10,794

TIN (3 months)

Close 6350-90 6550

Previous 6350-90 6550

High/Low 6350-90 6550

AM Official 6350-90 6550

Karb close 6350-90 6550

Open int. 17,757

Total daily turnover 3,356

ZINC, special high grade (3 months)

Close 1025-90 1055-50

Previous 1025-90 1055-50

High/Low 1025-90 1055-50

AM Official 1025-90 1055-50

Karb close 1025-90 1055-50

Open int. 13,737

Total daily turnover 10,794

PRECIOUS METALS CONTINUED

GOLD COMEX (100 troy oz; 3 months)

Close 355.1 -0.3 -

Previous 355.1 -0.3 -

High/Low 355.1 -0.3 -

AM Official 355.1 -0.3 -

Karb close 355.1 -0.3 -

Open int. 78,327

Total daily turnover 3,356

PLATINUM NYMEX (50 troy oz; 3 months)

Close 412.7 -1.5 415.0

Previous 412.7 -1.5 415.0

High/Low 412.7 -1.5 415.0

AM Official 412.7 -1.5 415.0

Karb close 412.7 -1.5 415.0

Open int. 11,210

Total daily turnover 7,993,348

PALLADIUM NYMEX (100 troy oz; 3 months)

Close 135.8 -0.5 136.3

Previous 135.8 -0.5 136.3

High/Low 135.8 -0.5 136.3

AM Official 135.8 -0.5 136.3

Karb close 135.8 -0.5 136.3

Open int. 1,144

Total daily turnover 5,186

SILVER COMEX (5000 troy oz; 3 months)

Close 536.7 -1.5 538.2

Previous 536.7 -1.5 538.2

High/Low 536.7 -1.5 538.2

AM Official 536.7 -1.5 538.2

Karb close 536.7 -1.5 538.2

Open int. 5,186

Total daily turnover 10,794

CRUDE OIL NYMEX (42,000 US gal; 3 months)

Close 17.22 -0.07 17.29

Previous 17.22 -0.07 17.29

High/Low 17.22 -0.07 17.29

AM Official 17.22 -0.07 17.29

Karb close 17.22 -0.07 17.29

Open int. 17,757

Total daily turnover 3,356

HEATING OIL NYMEX (42,000 US gal; 3 months)

Close 17.22 -0.07 17.29

Previous 17.22 -0.07 17.29

High/Low 17.22 -0.07 17.29

AM Official 17.22 -0.07 17.29

Karb close 17.22 -0.07 17.29

Open int. 17,757

Total daily turnover 3,356

GAS OIL NYMEX (42,000 US gal; 3 months)

Close 17.22 -0.07 17.29

GRAINS AND OIL SEEDS

WHEAT LCE (5000 bushels; 3 months)

Close 125.00 -0.25 125.25

Previous 125.00 -0.25 125.25

High/Low 125.00 -0.25 125.25

AM Official 125.00 -0.25 125.25

Karb close 125.00 -0.25 125.25

Open int. 12,130

Total daily turnover 1,144

WHEAT CBT (5000 bushels; 3 months)

Close 125.00 -0.25 125.25

Previous 125.00 -0.25 125.25

High/Low 125.00 -0.25 125.25

AM Official 125.00 -0.25 125.25

Karb close 125.00 -0.25 125.25

Open int. 12,130

Total daily turnover 1,144

MAIZE CBT (5000 bushels; 3 months)

Close 125.00 -0.25 125.25

Previous 125.00 -0.25 125.25

High/Low 125.00 -0.25 125.25

AM Official 125.00 -0.25 125.25

Karb close 125.00 -0.25 125.25

Open int. 12,130

Total daily turnover 1,144

SOYABEAN CBT (5000 bushels; 3 months)

Close 125.00 -0.25 125.25

Previous 125.00 -0.25 125.25

High/Low 125.00 -0.25 125.25

AM Official 125.00 -0.25 125.25

Karb close 125.00 -0.25 125.25

Open int. 12,130

Total daily turnover 1,144

SOYABEAN MEAL CBT (100 tonnes; 3 months)

Close 125.00 -0.25 125.25

Previous 125.00 -0.25 125.25

High/Low 125.00 -0.25 125.25

AM Official 125.00 -0.25 125.25

Karb close 125.00 -0.25 125.25

Open int. 12,130

Total daily turnover 1,144

SOYABEAN OIL CBT (5000 bushels; 3 months)

Close 125.00 -0.25 125.25

Previous 125.00 -0.25 125.25

High/Low 125.00 -0.25 125.25

AM Official 125.00 -0.25 125.25

Karb close 125.00 -0.25 125.25

Open int. 12,130

Total daily turnover 1,144

SOYABEAN MEAL CBT (100 tonnes; 3 months)

Close 125.00 -0.25 125.25

SOFTS

COCOA LCE (5000 lbs; 3 months)

Close 125.00 -0.25 125.25

Previous 125.00 -0.25 125.25

High/Low 125.00 -0.25 125.25

AM Official 125.00 -0.25 125.25

Karb close 125.00 -0.25 125.25

Open int. 12,130

Total daily turnover 1,144

French reshuffle buoys European sentiment

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CURRENCIES AND MONEY

MARKETS REPORT

French franc rallies further after reshuffle

By Graham Bowley

The French franc gained more ground on the foreign exchanges yesterday on the belief that the government's commitment to fiscal reform and a strong currency has been strengthened by Tuesday's reshuffle.

The Bundesbank cut its repo rate by 2 basis points to 4 per cent, the lowest level since the end of 1988. This was broadly in line with expectations but nevertheless fuelled speculation that there might be further cuts in German short-term interest rates soon.

This speculation provided further support for the French franc and other European currencies against the D-Mark. The German currency finished weaker against most currencies.

The franc was also underpinned by speculation that the Bank of France could make another cut in its 5-10 day interest rate today.

The dollar was hit by the wranglings in Washington over the US budget and by Japanese current account figures which suggested that Japanese investors have been net sellers of overseas assets.

The US currency recovered later in the European session, despite a sharp decline in the Mexican peso which analysts feared could drag the dollar lower with it.

Sterling took heart from the Bank of England's latest quarterly inflation report, in which it shaved down its forecast for price increases over the next two years.

A decline in Japan's trade surplus to \$10.8bn but they also pointed to a long-term capital inflow in September of \$786m, after an outflow of \$407m in August.

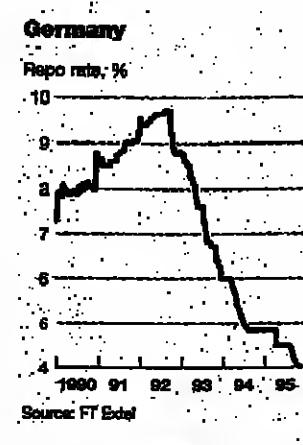
This appeared to contradict recent market wisdom that Japanese investors had been buying overseas assets to take advantage of the relatively high interest rates in Europe and the US.

"This was against the expectations of most dollar bulls," said Mr Michael Burke, international economist at Citibank in London.

But the dollar recovered later in the session, largely for technical reasons as dealers took profits.

This was despite further declines in the Mexican peso, which has fallen in recent sessions as dealers have begun to question the sustainability of high interest rates given the current state of the Mexican economy.

"The markets are starting to



look with increasing concern at Latin America," said Mr Jeremy Hawkins, chief economist at Bank of America in London. He warned that the dollar could suffer if the peso were to fall further because Mexico is a major trading partner of the US and the US government would be committed to supporting Mexico in a crisis.

The dollar finished in London at ¥102.350, compared with ¥102.500 at the previous finish. Against the D-Mark, it finished at DM1.416, from the previous close of DM1.417.

The franc finished against the D-Mark at FF3.446 from FF3.452.

There was continued selling of the D-Mark against the yen. The D-Mark rallied strongly against the yen in recent weeks but has fallen back in recent sessions after hitting resistance around ¥73.

The D-Mark closed at ¥72.21 from ¥72.63.

The pound closed higher at £2.285 from £2.281. Against the dollar, it finished at \$1.602 from \$1.571. The sterling trade-weighted exchange rate index closed at 84.3, up from 84.2.

The Swiss franc fell back slightly on the belief that the Swiss central bank is unhappy with the current high level of the currency. There was speculation that it might act soon to

weaken the currency by cutting interest rates.

The Italian lira enjoyed a better day. It rallied on signs that the Dini administration is gaining in strength, which bolstered hopes that the government would be able to progress with planned reforms.

UK gilts and short-term sterling futures rallied with the pound on the back of the Bank of England's better inflation outlook with the March short-term interest rate now discounting money market interest rates of around 6.37 per cent.

The Bank of England provided £745m assistance towards clearing a forecast money market shortage of around £900m.

WORLD INTEREST RATES

MONEY RATES									
November 8	Over night	One month	Three months	Six months	One year	Long term	Debt	Repo	Rate
Belgium	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
France	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	6.00	3.50	-	-
Germany	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Italy	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Netherlands	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	6.00	3.50	-	-
Spain	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Sweden	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Switzerland	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
UK	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
US	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Japan	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
South Korea	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Thailand	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Philippines	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Malaysia	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Singapore	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Indonesia	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Brunei	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Maldives	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Mauritius	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Madagascar	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Comoros	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Yemen	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Saudi Arabia	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Qatar	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Bahrain	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Oman	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
UAE	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-

EURO CURRENCY INTEREST RATES

Nov 8	Over night	One month	Three months	Six months	One year	Long term	Debt	Repo	Rate
Belgium	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
France	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	6.00	3.50	-	-
Germany	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Italy	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Netherlands	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	6.00	3.50	-	-
Spain	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Sweden	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Switzerland	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
UK	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
US	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Japan	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
South Korea	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Thailand	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Philippines	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Malaysia	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Singapore	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Indonesia	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Brunei	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Maldives	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Mauritius	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Madagascar	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Comoros	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Yemen	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Saudi Arabia	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Qatar	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Bahrain	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Oman	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
UAE	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-

As quoted in New York

Nov 8	Over night	One month	Three months	Six months	One year	Long term	Debt	Repo	Rate
Belgium	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
France	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	6.00	3.50	-	-
Germany	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Italy	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Netherlands	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	6.00	3.50	-	-
Spain	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Sweden	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Switzerland	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
UK	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
US	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Japan	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
South Korea	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Thailand	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Philippines	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Malaysia	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Singapore	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Indonesia	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Brunei	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Maldives	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Mauritius	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Madagascar	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Comoros	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Yemen	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Saudi Arabia	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Qatar	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Bahrain	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Oman	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
UAE	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-

POUND SPOT FORWARD AGAINST THE POUND

Nov 8	Over night	One month	Three months	Six months	One year	Long term	Debt	Repo	Rate
Belgium	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
France	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	6.00	3.50	-	-
Germany	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Italy	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Netherlands	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	6.00	3.50	-	-
Spain	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Sweden	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
Switzerland	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	6.00	3.50	-	-
UK	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
US	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Japan	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
South Korea	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Thailand	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Philippines	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Malaysia	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Singapore	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Indonesia	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Brunei	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Maldives	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Mauritius	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Madagascar	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Comoros	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Yemen	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Saudi Arabia	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Qatar	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Bahrain	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
Oman	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-
UAE	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6.00	3.50	-	-

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CHEMICALS

	Notes
AGA SW	<input type="checkbox"/>
Alcoa FI	<input type="checkbox"/>
Albright & Wilson	<input checked="" type="checkbox"/>
Allied Colloids	<input checked="" type="checkbox"/>
Ambler Int'l	<input checked="" type="checkbox"/>
Aurubius	<input checked="" type="checkbox"/>
BAF-CIM	<input checked="" type="checkbox"/>
BCC	<input checked="" type="checkbox"/>
BTP	<input checked="" type="checkbox"/>
Bayer CIM	<input checked="" type="checkbox"/>
Brent	<input checked="" type="checkbox"/>
British Wvs	<input checked="" type="checkbox"/>
Canning (W)	<input checked="" type="checkbox"/>
Comcast	<input checked="" type="checkbox"/>
Warrants	<input checked="" type="checkbox"/>

DISTRIBUTORS

DISTRIBUTORS

	Notes	Price
ABN Ltd.	2-1/2" v	185
Adcon	2-1/2" v	280
Adco	3-1/2" v	500
Adam & Harvey	3-1/2" v	525
African Lakes	3-1/2" v	64
Alexanders	2-1/2" v	14
Appleyard	2-1/2" v	85
Ass Br Eng	2-1/2" v	31
Autobacs Seven	2-1/2" v	550
B&B Cattle Stamp	2-1/2" v	77
BSS	2-1/2" v	575
Barnet	2-1/2" v	33
Bearing Power	2-1/2" v	161
Bogard A	2-1/2" v	28

ENGINEERING

ENGINEERING										NAME
1	100	100	100	100	100	100	100	100	100	John Doe
2	100	100	100	100	100	100	100	100	100	Jane Smith
3	100	100	100	100	100	100	100	100	100	Robert Johnson
4	100	100	100	100	100	100	100	100	100	Emily White
5	100	100	100	100	100	100	100	100	100	Michael Brown
6	100	100	100	100	100	100	100	100	100	Sarah Green
7	100	100	100	100	100	100	100	100	100	David Lee
8	100	100	100	100	100	100	100	100	100	Anna Clark
9	100	100	100	100	100	100	100	100	100	Christopher King
10	100	100	100	100	100	100	100	100	100	Michelle Hall
11	100	100	100	100	100	100	100	100	100	James Taylor
12	100	100	100	100	100	100	100	100	100	Elizabeth Adams
13	100	100	100	100	100	100	100	100	100	William Miller
14	100	100	100	100	100	100	100	100	100	Olivia Wilson
15	100	100	100	100	100	100	100	100	100	Benjamin Moore
16	100	100	100	100	100	100	100	100	100	Grace Young
17	100	100	100	100	100	100	100	100	100	Henry Scott
18	100	100	100	100	100	100	100	100	100	Isabella Baker
19	100	100	100	100	100	100	100	100	100	Samuel Davis
20	100	100	100	100	100	100	100	100	100	Ava Garcia
21	100	100	100	100	100	100	100	100	100	Lucas Martinez
22	100	100	100	100	100	100	100	100	100	Mia Hernandez
23	100	100	100	100	100	100	100	100	100	Ethan Lopez
24	100	100	100	100	100	100	100	100	100	Charlotte Perez
25	100	100	100	100	100	100	100	100	100	Alexander Kim
26	100	100	100	100	100	100	100	100	100	Amelia Evans
27	100	100	100	100	100	100	100	100	100	Jonathan Roberts
28	100	100	100	100	100	100	100	100	100	Sophia Turner
29	100	100	100	100	100	100	100	100	100	Isaac Phillips
30	100	100	100	100	100	100	100	100	100	Madison Campbell
31	100	100	100	100	100	100	100	100	100	Wyatt Parker
32	100	100	100	100	100	100	100	100	100	Evelyn Reed
33	100	100	100	100	100	100	100	100	100	Leo Cook
34	100	100	100	100	100	100	100	100	100	Victoria Bailey
35	100	100	100	100	100	100	100	100	100	Julian Rivera
36	100	100	100	100	100	100	100	100	100	Scarlett Cooper
37	100	100	100	100	100	100	100	100	100	Robert Hill
38	100	100	100	100	100	100	100	100	100	Penelope Green
39	100	100	100	100	100	100	100	100	100	Sebastian Adams
40	100	100	100	100	100	100	100	100	100	Chloe Baker
41	100	100	100	100	100	100	100	100	100	Matthew Wilson
42	100	100	100	100	100	100	100	100	100	Madeline Moore
43	100	100	100	100	100	100	100	100	100	Christopher Taylor

7 DIVERSIFIED INDUSTRIALS

[illegible]

104 ELECTRICITY

[illegible]**EXTRACTIVE INDUSTRIES - Cont.**[illegible]

FOOD PRODUCERS

FOOD PRODUCERS		Price	% chg.	1985
92	92			
93	93			
94	94			
95	95			
96	96			
97	97			
98	98			
99	99			
100	100			
101	101			
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185	185			
186	186			
187	187			
188	188			
189	189			
190	190			
191	191			
192	192			
193	193			

203 GAS DISTRIBUTION

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

		Index	Price	+ or -
7.1	Approved by the Island			
97		40	418 1/2	+2 1/2
4.1	Northstar Smg		67 1/2	
	Robert Gray Corp	400	158	
0.3	Warrants		29 1/2	-1/2
3.7	Whitcomb Inds	400	19 1/2	
17.2	Whitcomb Inds Inc	400	70 1/2	
	Whitcomb Lath & Plst	400	57 1/2	-1/2
	Warrants		13 1/2	-2
	Warrants		130 1/2	
9.7	C Warrants		177 1/2	
8.1	C Warrants		145	-1
4.6	Abstract New Thal	400	55 1/2	
4.7	Abstract Scotland	400	38	
10.7	Abstract	400	138	
4.3	Abstract	400	138 1/2	-10
8.6	American Opt	400	208	
	American Tst	400	199	

América Sur, vi
Warrants

[illegible]

Fidelity Euro Stoxx

[illegible]

1

MEASUREMENT THINGS - Cont

[illegible]

15

[illegible]Michigan _____
Warren _____
Michigan Falls _____

-0.1	Mercury Sable	13,999	24	32	27
-0.9	Mercury Sable	14,999	24	32	27
-9.9	Mercury Sable	15,999	24	32	27
-13.7	Mercury Sable	16,999	24	32	27
-11.8	Mercury Sable	17,999	24	32	27
-2.2	Mercury Sable	18,999	24	32	27
-5.9	Mercury Sable	19,999	24	32	27
-11.4	Mercury Sable	20,999	24	32	27
-16.8	Mercury Sable	21,999	24	32	27
-13.8	Mercury Sable	22,999	24	32	27
-14.8	Mercury Sable	23,999	24	32	27
-14.8	Mercury Sable	24,999	24	32	27
-14.8	Mercury Sable	25,999	24	32	27
-14.8	Mercury Sable	26,999	24	32	27
-14.8	Mercury Sable	27,999	24	32	27
-14.8	Mercury Sable	28,999	24	32	27
-14.8	Mercury Sable	29,999	24	32	27
-14.8	Mercury Sable	30,999	24	32	27
-14.8	Mercury Sable	31,999	24	32	27
-14.8	Mercury Sable	32,999	24	32	27
-14.8	Mercury Sable	33,999	24	32	27
-14.8	Mercury Sable	34,999	24	32	27
-14.8	Mercury Sable	35,999	24	32	27
-14.8	Mercury Sable	36,999	24	32	27
-14.8	Mercury Sable	37,999	24	32	27
-14.8	Mercury Sable	38,999	24	32	27
-14.8	Mercury Sable	39,999	24	32	27
-14.8	Mercury Sable	40,999	24	32	27
-14.8	Mercury Sable	41,999	24	32	27
-14.8	Mercury Sable	42,999	24	32	27
-14.8	Mercury Sable	43,999	24	32	27
-14.8	Mercury Sable	44,999	24	32	27
-14.8	Mercury Sable	45,999	24	32	27
-14.8	Mercury Sable	46,999	24	32	27
-14.8	Mercury Sable	47,999	24	32	27
-14.8	Mercury Sable	48,999	24	32	27
-14.8	Mercury Sable	49,999	24	32	27
-14.8	Mercury Sable	50,999	24	32	27
-14.8	Mercury Sable	51,999	24	32	27
-14.8	Mercury Sable	52,999	24	32	27
-14.8	Mercury Sable	53,999	24	32	27
-14.8	Mercury Sable	54,999	24	32	27
-14.8	Mercury Sable	55,999	24	32	27
-14.8	Mercury Sable	56,999	24	32	27
-14.8	Mercury Sable	57,999	24	32	27
-14.8	Mercury Sable	58,999	24	32	27
-14.8	Mercury Sable	59,999	24	32	27
-14.8	Mercury Sable	60,999	24	32	27
-14.8	Mercury Sable	61,999	24	32	27
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-14.8	Mercury Sable	63,999	24	32	27
-14.8	Mercury Sable	64,999	24	32	27
-14.8	Mercury Sable	65,999	24	32	27
-14.8	Mercury Sable	66,999	24	32	27
-14.8	Mercury Sable	67,999	24	32	27
-14.8	Mercury Sable	68,999	24	32	27
-14.8	Mercury Sable	69,999	24	32	27
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-14.8	Mercury Sable	71,999	24	32	27
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-14.8	Mercury Sable	73,999	24	32	27
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-14.8	Mercury Sable	75,999	24	32	27
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-14.8	Mercury Sable	78,999	24	32	27
-14.8	Mercury Sable	79,999	24	32	27
-14.8	Mercury Sable	80,999	24	32	27
-14.8	Mercury Sable	81,999	24	32	27
-14.8	Mercury Sable	82,999	24	32	27
-14.8	Mercury Sable	83,999	24	32	27
-14.8	Mercury Sable	84,999	24	32	27
-14.8	Mercury Sable	85,999	24	32	27
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-14.8	Mercury Sable	87,999	24	32	27
-14.8	Mercury Sable	88,999	24	32	27
-14.8	Mercury Sable	89,999	24	32	27
-14.8	Mercury Sable	90,999	24	32	27
-14.8	Mercury Sable	91,999	24	32	27
-14.8	Mercury Sable	92,999	24	32	27
-14.8	Mercury Sable	93,999	24	32	27
-14.8	Mercury Sable	94,999	24	32	27
-14.8	Mercury Sable	95,999	24	32	27
-14.8	Mercury Sable	96,999	24	32	27
-14.8	Mercury Sable	97,999	24	32	27
-14.8	Mercury Sable	98,999	24	32	27
-14.8	Mercury Sable	99,999	24	32	27
-14.8	Mercury Sable	100,999	24	32	27

12.2 Midwest South District

[illegible]

0 17.0
5 -3.7

[illegible]

1

-SECRET-

STENT 2000

1. *Chlorophyll a* and *Chlorophyll b* were determined by the method of Arar and Collins (1971).

—

1992

كتاب الاموال

LEISURE & HOTELS - Cont.

OTHER FINANCIAL

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Conf

[illegible]

RESORTS & HOTELS - Cont.				
Switzerland	Price	1981	+W	High
Switzerland	1979	1979		1979
Switzerland	1978	1978		1978
Switzerland	1977	1977		1977
Switzerland	1976	1976		1976
Switzerland	1975	1975		1975
Switzerland	1974	1974		1974
Switzerland	1973	1973		1973
Switzerland	1972	1972		1972
Switzerland	1971	1971		1971
Switzerland	1970	1970		1970
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OTHER INVESTMENT TRUSTS			
The following table contains prices not eligible for inclusion in the Investment Company Index			
Symbol	Price	1992	YTD
Approved for the General			
Investing Euro A	100.00		20
Investing Euro B	100.00		20
Investing Global A	111.15	11	31
Investing Global B	111.15	11	31
Investing Global C	111.15	11	31
Investing Global D	111.15	11	31
Investing Global E	111.15	11	31
Investing Global F	111.15	11	31
Investing Global G	111.15	11	31
Investing Global H	111.15	11	31
Investing Global I	111.15	11	31
Investing Global J	111.15	11	31
Investing Global K	111.15	11	31
Investing Global L	111.15	11	31
Investing Global M	111.15	11	31
Investing Global N	111.15	11	31
Investing Global O	111.15	11	31
Investing Global P	111.15	11	31
Investing Global Q	111.15	11	31
Investing Global R	111.15	11	31
Investing Global S	111.15	11	31
Investing Global T	111.15	11	31
Investing Global U	111.15	11	31
Investing Global V	111.15	11	31
Investing Global W	111.15	11	31
Investing Global X	111.15	11	31
Investing Global Y	111.15	11	31
Investing Global Z	111.15	11	31
Investing Global AA	111.15	11	31
Investing Global AB	111.15	11	31
Investing Global AC	111.15	11	31
Investing Global AD	111.15	11	31
Investing Global AE	111.15	11	31
Investing Global AF	111.15	11	31
Investing Global AG	111.15	11	31
Investing Global AH	111.15	11	31
Investing Global AI	111.15	11	31
Investing Global AJ	111.15	11	31
Investing Global AK	111.15	11	31
Investing Global AL	111.15	11	31
Investing Global AM	111.15	11	31
Investing Global AN	111.15	11	31
Investing Global AO	111.15	11	31
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Investing Global AT	111.15	11	31
Investing Global AU	111.15	11	31
Investing Global AV	111.15	11	31
Investing Global AW	111.15	11	31
Investing Global AX	111.15	11	31
Investing Global AY	111.15	11	31
Investing Global AZ	111.15	11	31
Investing Global BA	111.15	11	31
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Investing Global BE	111.15	11	31
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Investing Global BG	111.15	11	31
Investing Global BH	111.15	11	31
Investing Global BI	111.15	11	31
Investing Global BJ	111.15	11	31
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Investing Global BQ	111.15	11	31
Investing Global BR	111.15	11	31
Investing Global BS	111.15	11	31
Investing Global BT	111.15	11	31
Investing Global BU	111.15	11	31
Investing Global BV	111.15	11	31
Investing Global BW	111.15	11	31
Investing Global BX	111.15	11	31
Investing Global BY	111.15	11	31
Investing Global BZ	111.15	11	31
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Investing Global CC	111.15	11	31
Investing Global CD	111.15	11	31
Investing Global CE	111.15	11	31
Investing Global CF	111.15	11	31
Investing Global CG	111.15	11	31
Investing Global CH	111.15	11	31

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Angus And Inc. _____
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 Capital Prop Tr _____
 NK Props _____
 SASCO _____
 SA Brown _____
 Standard Bank _____
 Tiger Coats _____
 Tongroot-Peters _____

GUIDE TO

Prices for the London
 Financial Times

Company share prices
 Share indices

Closing mid-price
 Stocks are based on

Where stocks are
 indicated after the

Symbols referring
 to yields or

on Monday.

Market capitalisation
 quoted.

Earnings used in

Price/earnings ratio
 where possible, a

Yields are based
 on 20 per cent as

Estimated Net Asset
 Value per share.

[illegible]

Company	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	2047-48	2048-49	2049-50	2050-51	2051-52	2052-53	2053-54	2054-55	2055-56	2056-57	2057-58	2058-59	2059-60	2060-61	2061-62	2062-63	2063-64	2064-65	2065-66	2066-67	2067-68	2068-69	2069-70	2070-71	2071-72	2072-73	2073-74	2074-75	2075-76	2076-77	2077-78	2078-79	2079-80	2080-81	2081-82	2082-83	2083-84	2084-85	2085-86	2086-87	2087-88	2088-89	2089-90	2090-91	2091-92	2092-93	2093-94	2094-95	2095-96	2096-97	2097-98	2098-99	2099-00	2100-01	2101-02	2102-03	2103-04	2104-05	2105-06	2106-07	2107-08	2108-09	2109-10	2110-11	2111-12	2112-13	2113-14	2114-15	2115-16	2116-17	2117-18	2118-19	2119-20	2120-21	2121-22	2122-23	2123-24	2124-25	2125-26	2126-27	2127-28	2128-29	2129-30	2130-31	2131-32	2132-33	2133-34	2134-35	2135-36	2136-37	2137-38	2138-39	2139-40	2140-41	2141-42	2142-43	2143-44	2144-45	2145-46	2146-47	2147-48	2148-49	2149-50	2150-51	2151-52	2152-53	2153-54	2154-55	2155-56	2156-57	2157-58	2158-59	2159-60	2160-61	2161-62	2162-63	2163-64	2164-65	2165-66	2166-67	2167-68	2168-69	2169-70	2170-71	2171-72	2172-73	2173-74	2174-75	2175-76	2176-77	2177-78	2178-79	2179-80	2180-81	2181-82	2182-83	2183-84	2184-85	2185-86	2186-87	2187-88	2188-89	2189-90	2190-91	2191-92	2192-93	2193-94	2194-95	2195-96	2196-97	2197-98	2198-99	2199-00	2200-01	2201-02	2202-03	2203-04	2204-05	2205-06	2206-07	2207-08	2208-09	2209-10	2210-11	2211-12	2212-13	2213-14	2214-15	2215-16	2216-17	2217-18	2218-19	2219-20	2220-21	2221-22	2222-23	2223-24	2224-25	2225-26	2226-27	2227-28	2228-29	2229-30	2230-31	2231-32	2232-33	2233-34	2234-35	2235-36	2236-37	2237-38	2238-39	2239-40	2240-41	2241-42	2242-43	2243-44	2244-45	2245-46	2246-47	2247-48	2248-49	2249-50	2250-51	2251-52	2252-53	2253-54	2254-55	2255-56	2256-57	2257-58	2258-59	2259-60	2260-61	2261-62	2262-63	2263-64	2264-65	2265-66	2266-67	2267-68	2268-69	2269-70	2270-71	2271-72	2272-73	2273-74	2274-75	2275-76	2276-77	2277-78	2278-79	2279-80	2280-81	2281-82	2282-83	2283-84	2284-85	2285-86	2286-87	2287-88	2288-89	2289-90	2290-91	2291-92	2292-93	2293-94	2294-95	2295-96	2296-97	2297-98	2298-99	2299-00	2300-01	2301-02	2302-03	2303-04	2304-05	2305-06	2306-07	2307-08	2308-09	2309-10	2310-11	2311-12	2312-13	2313-14	2314-15	2315-16	2316-17	2317-18	2318-19	2319-20	2320-21	2321-22	2322-23	2323-24	2324-25	2325-26	2326-27	2327-28	2328-29	2329-30	2330-31	2331-32	2332-33	2333-34	2334-35	2335-36	2336-37	2337-38	2338-39	2339-40	2340-41	2341-42	2342-43	2343-44	2344-45	2345-46	2346-47	2347-48	2348-49	2349-50	2350-51	2351-52	2352-53	2353-54	2354-55	2355-56	2356-57	2357-58	2358-59	2359-60	2360-61	2361-62	2362-63	2363-64	2364-65	2365-66	2366-67	2367-68	2368-69	2369-70	2370-71	2371-72	2372-73	2373-74	2374-75	2375-76	2376-77	2377-78	2378-79	2379-80	2380-81	2381-82	2382-83	2383-84	2384-85	2385-86	2386-87	2387-88	2388-89	2389-90	2390-91	2391-92	2392-93	2393-94	2394-95	2395-96	2396-97	2397-98	2398-99	2399-00	2400-01	2401-02	2402-03	2403-04	2404-05	2405-06	2406-07	2407-08	2408-09	2409-10	2410-11	2411-12	2412-13	2413-14	2414-15	2415-16	2416-17	2417-18	2418-19	2419-20	2420-21	2421-22	2422-23	2423-24	2424-25	2425-26	2426-27	2427-28	2428-29	2429-30	2430-31	2431-32	2432-33	2433-34	2434-35	2435-36	2436-37	2437-38	2438-39	2439-40	2440-41	2441-42	2442-43	2443-44	2444-45	2445-46	2446-47	2447-48	2448-49	2449-50	2450-51	2451-52	2452-53	2453-54	2454-55	2455-56	2456-57	2457-58	2458-59	2459-60	2460-61	2461-62	2462-63	2463-64	2464-65	2465-66	2466-67	2467-68	2468-69	2469-70	2470-71	2471-72	2472-73	2473-74	2474-75	2475-76	2476-77	2477-78	2478-79	2479-80	2480-81	2481-82	2482-83	2483-84	2484-85	2485-86	2486-87	2487-88	2488-89	2489-90	2490-91	2491-92	2492-93	2493-94	2494-95	2495-96	2496-97	2497-98	2498-99	2499-00	2500-01	2501-02	2502-03	2503-04	2504-05	2505-06	2506-07	2507-08	2508-09	2509-10	2510-11	2511-12	2512-13	2513-14	2514-15	2515-16	2516-17	2517-18	2518-19	2519-20	2520-21	2521-22	2522-23	2523-24	2524-25	2525-26	2526-27	2527-28	2528-29	2529-30	2530-31	2531-32	2532-33	2533-34	2534-35	2535-36	2536-37	2537-38	2538-39	2539-40	2540-41	2541-42	2542-43	2543-44	2544-45	2545-46	2546-47	2547-48	2548-49	2549-50	2550-51	2551-52	2552-53	2553-54	2554-55	2555-56	2556-57	2557-58	2558-59	2559-60	2560-61	2561-62	2562-63	2563-64	2564-65	2565-66	2566-67	2567-68	2568-69	2569-70	2570-71	2571-72	2572-73	2573-74	2574-75	2575-76	2576-77	2577-78	2578-79	2579-80	2580-81	2581-82	2582-83	2583-84	2584-85	2585-86	2586-87	2587-88	2588-89	2589-90	2590-91	2591-92	2592-93	2593-94	2594-95	2595-96	2596-97	2597-98	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Mortgage		Rate	
1st National	2.75	100	10
2nd National	2.75	100	10
3rd National	2.75	100	10
4th National	2.75	100	10
5th National	2.75	100	10
6th National	2.75	100	10
7th National	2.75	100	10
8th National	2.75	100	10
9th National	2.75	100	10
10th National	2.75	100	10
11th National	2.75	100	10
12th National	2.75	100	10
13th National	2.75	100	10
14th National	2.75	100	10
15th National	2.75	100	10
16th National	2.75	100	10
17th National	2.75	100	10
18th National	2.75	100	10
19th National	2.75	100	10
20th National	2.75	100	10
21st National	2.75	100	10
22nd National	2.75	100	10
23rd National	2.75	100	10
24th National	2.75	100	10
25th National	2.75	100	10
26th National	2.75	100	10
27th National	2.75	100	10
28th National	2.75	100	10
29th National	2.75	100	10
30th National	2.75	100	10
31st National	2.75	100	10
32nd National	2.75	100	10
33rd National	2.75	100	10
34th National	2.75	100	10
35th National	2.75	100	10
36th National	2.75	100	10
37th National	2.75	100	10
38th National	2.75	100	10
39th National	2.75	100	10
40th National	2.75	100	10
41st National	2.75	100	10
42nd National	2.75	100	10
43rd National	2.75	100	10
44th National	2.75	100	10
45th National	2.75	100	10
46th National	2.75	100	10
47th National	2.75	100	10
48th National	2.75	100	10
49th National	2.75	100	10
50th National	2.75	100	10
51st National	2.75	100	10
52nd National	2.75	100	10
53rd National	2.75	100	10
54th National	2.75	100	10
55th National	2.75	100	10
56th National	2.75	100	10
57th National	2.75	100	10
58th National	2.75	100	10
59th National	2.75	100	10
60th National	2.75	100	10
61st National	2.75	100	10
62nd National	2.75	100	10
63rd National	2.75	100	10
64th National	2.75	100	10
65th National	2.75	100	10
66th National	2.75	100	10
67th National	2.75	100	10
68th National	2.75	100	10
69th National	2.75	100	10
70th National	2.75	100	10
71st National	2.75	100	10
72nd National	2.75	100	10
73rd National	2.75	100	10
74th National	2.75	100	10
75th National	2.75	100	10
76th National	2.75	100	10
77th National	2.75	100	10
78th National	2.75	100	10
79th National	2.75	100	10
80th National	2.75	100	10
81st National	2.75	100	10
82nd National	2.75	100	10
83rd National	2.75	100	10
84th National	2.75	100	10
85th National	2.75	100	10
86th National	2.75	100	10
87th National	2.75	100	10
88th National	2.75	100	10
89th National	2.75	100	10
90th National	2.75	100	10
91st National	2.75	100	10
92nd National	2.75	100	10
93rd National	2.75	100	10
94th National	2.75	100	10
95th National	2.75	100	10
96th National	2.75	100	10
97th National	2.75	100	10
98th National	2.75	100	10
99th National	2.75	100	10
100th National	2.75	100	10

PROPERTY		Rate	
1st National	2.75	100	10
2nd National	2.75	100	10
3rd National	2.75	100	10
4th National	2.75	100	10
5th National	2.75	100	10
6th National	2.75	100	10
7th National	2.75	100	10
8th National	2.75	100	10
9th National	2.75	100	10
10th National	2.75	100	10
11th National	2.75	100	10
12th National	2.75	100	10
13th National	2.75	100	10
14th National	2.75	100	10
15th National	2.75	100	10
16th National	2.75	100	10
17th National	2.75	100	10
18th National	2.75	100	10
19th National	2.75	100	10
20th National	2.75	100	10
21st National	2.75	100	10
22nd National	2.75	100	10
23rd National	2.75	100	10
24th National	2.75	100	10
25th National	2.75	100	10
26th National	2.75	100	10
27th National	2.75	100	10
28th National	2.75	100	10
29th National	2.75	100	10
30th National	2.75	100	10
31st National	2.75	100	10
32nd National	2.75	100	10
33rd National	2.75	100	10
34th National	2.75	100	10
35th National	2.75	100	10
36th National	2.75	100	10
37th National	2.75	100	10
38th National	2.75	100	10
39th National	2.75	100	10
40th National	2.75	100	10
41st National	2.75	100	10
42nd National	2.75	100	10
43rd National	2.75	100	10
44th National	2.75	100	10
45th National	2.75	100	10
46th National	2.75	100	10
47th National	2.75	100	10
48th National	2.75	100	10
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51st National	2.75	100	10
52nd National	2.75	100	10
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63rd National	2.75	100	10
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72nd National	2.75	100	10
73rd National	2.75	100	10
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97th National	2.75	100	10
98th National	2.75	100	10
99th National	2.75	100	10
100th National	2.75	100	10

[illegible]

Boston Univ.	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	143	14
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[illegible]

LEISURE & HOTELS		1985	
	Price	+ or -	1985
Airways	\$3.1		105
Big On TV	183		102
Albums	81		99
Major Airways	162		98
Amusement	85		12
ICE	22.4	-2.4	128
BS	115		61
BS	165		118
BS	207		333
BS	478		83
BS	85		14

[illegible][illegible]

Adelson Group	105
Quincy Jenkins	57
EW Felt	40
Sec. Data Prod.	167
Sanchez Comp.	30
Herwald Whiting	157
Boys	37,500
John Robinson	700
SYSTEM	1000
SEC & DIR.	212.5
ISA	3000
Johnson Cleaners	222
Calabazero Graphs	35
Lowell Syst.	330
Amber Scan	18
Lawrence S B	375
Logica	4000

Cassidy Brothers	4w	79	—	81
Castello Video Postcard	—	42	—	45
Cl Channel (TV)	TV	314	—	129
CloutierPartners	—	31	—	39
Clothes 1st	TV	31	—	39
Country Gardens	4w	89	+2	83
13c News Ctr PWT	—	60	23	63
Crowe Products	—	459	—	59
D&S Management	—	105	—	108
Daumen Hides	—	845	—	845
Davis Corp	—	17	—	11
Decker	TV	13	—	10
Decker	TV	13	—	10
de Sales Finance	—	125	—	129
Demco	4w	60	—	60
Floral Street	—	238	+8	263
Forman	—	60	—	60
Forling Homes	TV	91	+1	91

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BERMUDA (SIE RECOGNISED)

[illegible]

BERMUDA (REGULATED)()**

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(^{1,2})

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

GT Asset Management (Ireland) Ltd
 144 171 710 4667 London 18521 842 7200 Hong Kong
 000 30 72 05 1-83

[illegible]

IRELAND (REGULATED) (24)

[illegible]

CFP Interest Rate Arbitrage Fund Plc		
NW	\$10.57	-0.10
Cashier Fund		

[illegible]

ISLE OF MAN (SIB RECOG)

[illegible]

- ISLE OF MAN (REGULATED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(*)

[illegible]

John Davett Management (Jersey)			
Dr. Robert Johnson	511.7705	12.4000	+0.10
Johnson, Robert, Inc.	38.51	6.00	-0.10
Johnson, Robert, Inc.	57.50		

[illegible]

LUXEMBOURG (SMB RECQ)

[illegible]

141	Barclays Int'l Bank Ltd. - 1000000000	1000000000
134	Barclays Int'l Bank Ltd. (Luxembourg)	1000000000
137	28 Place de la Gare, L-1010	1000000000
137	Equity Funds	1000000000

[illegible]

200-7971-05
200-7971-06
200-7971-07

[illegible]

Foreign & Colonial Emerging Market
Exchange Hs, Princess St, Lon, EC2A 2WY 01

[illegible][illegible]

1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591	590	589	588	587	586	585	584	583	582	581	580	579	578	577	576	575	574	573	572	571	570	569	568	567	566	565	564
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Symbol	Company Name	Price	Change	Volume	Market Cap	Dividend	Yield
MSFT	Microsoft Corp	100.00	+1.00	1,000,000	1,000,000,000	0.50	0.50%
GOOG	Google Inc	150.00	+2.00	500,000	500,000,000	0.00	0.00%
AMZN	Amazon.com Inc	80.00	+1.50	800,000	800,000,000	0.00	0.00%
FB	Facebook Inc	120.00	+3.00	600,000	600,000,000	0.00	0.00%
APPL	Apple Inc	130.00	+2.50	700,000	700,000,000	0.50	0.38%
MS	Microsoft Corp	100.00	+1.00	1,000,000	1,000,000,000	0.50	0.50%
GOOGL	Google Inc	150.00	+2.00	500,000	500,000,000	0.00	0.00%
AMZN	Amazon.com Inc	80.00	+1.50	800,000	800,000,000	0.00	0.00%
FB	Facebook Inc	120.00	+3.00	600,000	600,000,000	0.00	0.00%
APPL	Apple Inc	130.00	+2.50	700,000	700,000,000	0.50	0.38%
MS	Microsoft Corp	100.00	+1.00	1,000,000	1,000,000,000	0.50	0.50%
GOOGL	Google Inc	150.00	+2.00	500,000	500,000,000	0.00	0.00%
AMZN	Amazon.com Inc	80.00	+1.50	800,000	800,000,000	0.00	0.00%
FB	Facebook Inc	120.00	+3.00	600,000	600,000,000	0.00	0.00%
APPL	Apple Inc	130.00	+2.50	700,000	700,000,000	0.50	0.38%
MS	Microsoft Corp	100.00	+1.00	1,000,000	1,000,000,000	0.50	0.50%
GOOGL	Google Inc	150.00	+2.00	500,000	500,000,000	0.00	0.00%
AMZN	Amazon.com Inc	80.00	+1.50	800,000	800,000,000	0.00	0.00%
FB	Facebook Inc	120.00	+3.00	600,000	600,000,000	0.00	0.00%
APPL	Apple Inc	130.00	+2.50	700,000	700,000,000	0.50	0.38%
MS	Microsoft Corp	100.00	+1.00	1,000,000	1,000,000,000	0.50	0.50%
GOOGL	Google Inc	150.00	+2.00	500,000	500,000,000	0.00	0.00%
AMZN	Amazon.com Inc	80.00	+1.50	800,000	800,000,000	0.00	0.00%
FB	Facebook Inc	120.00	+3.00	600,000	600,000,000	0.00	0.00%
APPL	Apple Inc	130.00	+2.50	700,000	700,000,000	0.50	0.38%
MS	Microsoft Corp	100.00	+1.00	1,000,000	1,000,000,000	0.50	0.50%
GOOGL	Google Inc	150.00	+2.00	500,000	500,000,000	0.00	0.00%
AMZN	Amazon.com Inc	80.00	+1.50	800,000	800,000,000	0.00	0.00%
FB	Facebook Inc	120.00	+3.00	600,000	600,000,000	0.00	0.00%
APPL	Apple Inc	130.00	+2.50	700,000	700,000,000	0.50	0.38%
MS	Microsoft Corp	100.00	+1.00	1,000,000	1,000,000,000	0.50	0.50%
GOOGL	Google Inc	150.00	+2.00	500,000	500,000,000	0.00	0.00%
AMZN	Amazon.com Inc	80.00	+1.50	800,000	800,000,000	0.00	0.00%
FB	Facebook Inc	120.00	+3.00	600,000	600,000,000	0.00	0.00%
APPL	Apple Inc	130.00	+2.50	700,000	700,000,000	0.50	0.38%
MS	Microsoft Corp	100.00	+1.00	1,000,000	1,000,000,000	0.50	0.50%
GOOGL	Google Inc	150.00	+2.00	500,000	500,000,000	0.00	0.00%
AMZN	Amazon.com Inc	80.00	+1.50	800,000	800,000,000	0.00	0.00%
FB	Facebook Inc	120.00	+3.00	600,000	600,000,000	0.00	0.00%
APPL	Apple Inc	130.00	+2.50	700,000	700,000,000	0.50	0.38%
MS	Microsoft Corp	100.00	+1.00	1,000,000	1,000,000,000	0.50	0.50%
GOOGL	Google Inc	150.00	+2.00	500,000	500,000,000	0.00	0.00%

LUXEMBOURG (REGULA

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LONDON STOCK EXCHANGE

MARKET REPORT

Takeover stories still the driving force in equities

By Steve Thompson, UK Stock Market Editor

Predators still see the UK utilities sector as a happy hunting ground. With the day's company news coming down firmly on the bull side, London's equity market was never under pressure yesterday.

International and economic developments also proved supportive. The Bank of England's quarterly report indicated that there were no substantial domestic inflationary pressures. Mr Richard Jeffrey, group economist at Charterhouse, the merchant bank, described the report as "reassuring" and said the danger for fund managers was in

being underweight in a fast rising equity market.

Wall Street started very strongly with the Dow Jones Industrial Average more than 30 points ahead 90 minutes after the London close. The biggest European stock markets, Frankfurt and Paris, also performed well.

The FT-SE 100 index continued on its upward path, ending the trading session a net 14.7 higher at 3,537.1, for a three-day gain of 36.7, or just over 1 per cent.

Meanwhile, the junior FT-SE Mid 250 index was 15.2 ahead at 3,909.1, with the help of the day's biggest takeover story, the news that Welsh Water was considering launching a

bid for South Wales Electricity. Such a move would establish the second regional utility link-up in the UK. The first "super-utility", the bid from North West Water for Norweb, was unveiled last month.

Utilities continued to provide many of the outstanding performers, with Thames Water leading the FT-SE 100 pack, followed closely by London Electricity and Scottish Power. South Wales Electricity topped the FT-SE Mid 250 table, with Yorkshire Electricity, East Midlands and Northern Electric not far behind.

Dealers took the view that a bid for any of the remaining reos was a distinct possibility. Water shares,

boosted by Tuesday's news that the Department of Trade and Industry had allowed Lyonnaisse des Eaux, the French group, to proceed with a bid for Northumbrian Water, with certain conditions, all performed very strongly.

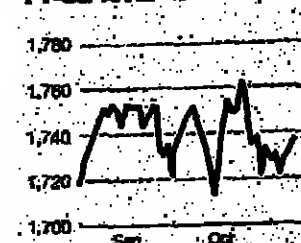
Helping to drive the market forward towards the close was a rumour that one of the UK's life insurers was about to attract the attentions of a predator. The sector has been aggressively bought in recent weeks as bid talk circulated.

London & Manchester was the stock being put forward as a likely target, although insurance specialists were generally sceptical. Traders said a badly handled buying

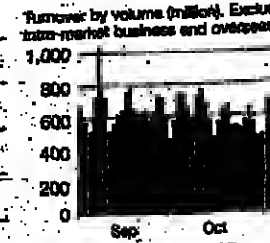
order had been responsible for the sudden upsurge in the London & Manchester share price but, significantly, they said an offer for the group was entirely feasible.

The trading session commenced with marketmakers on the defensive after Wall Street's overnight decline, caused mainly by weakness in high-technology issues. Selling of the leading stocks was never more than light, however, and news of excellent figures from companies such as BAT Industries and Scottish Power, plus the latest utilities bid, helped the market advance. Turnover at 6pm had reached 678.7m shares. Customer business on Tuesday was worth £1.91bn.

FT-SE-A All-Share Index



Equity shares traded



Indices and ratios

FT-SE 100	3537.1	+14.7
FT-SE Mid 250	3909.1	+15.2
FT-SE-A 350	1760.5	+7.2
FT-SE-A All-Share	1737.91	+6.48
FT-SE-A All-Share Index	3.87	(8.57)

Best performing sectors

1 Tobacco	+2.6
2 Electricity	+1.5
3 Breweries	+1.2
4 Water	+1.2
5 Life Assurance	+1.1

Worst performing sectors

1 Paper, Pkg. & Printing	-1.4
2 Other Servs & Business	-0.8
3 Pharmaceuticals	-0.6
4 Household Goods	-0.6
5 Banks, Merchant	-0.4

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LFFE) 25¢ per full index point (AFT)

	Open	Set price	Change	High	Low	Est. vol	Open int.
Dec	3533.0	3538.0	+5.0	3540.0	3530.0	11028	63996
Jan	3522.0	3527.0	+5.0	3530.0	3520.0	1821	4143
Mar	3500.0	3505.0	+5.0	3510.0	3490.0	0	134

■ FT-SE MID 250 INDEX FUTURES (LFFE) £10 per full index point

	Open	Set price	Change	High	Low	Est. vol	Open int.
Dec	3900.0	3910.0	+10.0	3920.0	3880.0	0	3537

■ FT-SE 100 INDEX OPTION (LFFE) £350 £10 per full index point

	Open	Set price	Change	High	Low	Est. vol	Open int.
Dec	3530.0	3535.0	+5.0	3540.0	3530.0	3500	3700
Jan	3520.0	3525.0	+5.0	3530.0	3510.0	110	110
Mar	3500.0	3505.0	+5.0	3510.0	3490.0	10	10

■ EURO STYLE FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Set price	Change	High	Low	Est. vol	Open int.
Dec	3530.0	3535.0	+5.0	3540.0	3530.0	3500	3700
Jan	3520.0	3525.0	+5.0	3530.0	3510.0	110	110
Mar	3500.0	3505.0	+5.0	3510.0	3490.0	10	10

Call 100 Puts 2.25¢ - underlying index value. Positions shown are based on settlement prices. 1 Lot = 100 shares.

Swalec the new target

The market spotlight once again fell on the utilities as Welsh Water confirmed market speculation that it was considering a bid for South Wales Electricity (Swalec).

Welsh Water said it is "examining the case" for making a bid and any offer would be in the region of £200m, valuing Swalec at around £500m. The takeover panel was said to have forced it to reveal its intentions.

The electricity group advised investors to take no action until Welsh Water clarifies its intentions, but market watchers said it was unlikely that the water group would hold back from confirming a bid.

Shares in Swalec, already strong on the bid talk, closed 70 ahead at 105p, a 7 per cent gain that made it the best performing stock in the FT-SE Mid 250 index. Volume was 1.7m shares. In contrast, Welsh Water surrendered 30 to 72p in trade of 1.1m.

The word in the market is that Swalec is determined to stay independent and will mount a strong defence. One trader said: "Anyway, I cannot see Swalec caving in at that suggested price. It can only be an opening shot."

An analyst commented: "A successful bid could result in common billing, customer contact and administration given the two companies have a common customer base."

A profits disappointment from KNP BT, of the Netherlands, cut a swathe through the paper stocks, pushing Arjo Wiggins to the bottom of the Footsie rankings and severely depressing David S. Smith.

The Dutch paper leader, which trades in much the same sort of grades as Arjo and Smith, has been hit heavily by price weakness and destocking, and its third-quarter results fell woefully short of analysts' estimates. Arjo dropped more than 7 per cent. In turnover which rose to a 14-month high of 10m, the shares gained 17 at 211½p. Smith shed 9½ to 272p.

News that Mr Andrew Teare will be the new chief executive at Bank Organisation cheered the market. The shares responded by rising 7 to 427p in trade of 6.5m.

Broker Collins Stewart is a bull of the stock and said, in a recent circular to investors, that it expects the City to upgrade 1996 profits expectations, following the group's trading statement next month.

Mr Teare is moving from English China Clays, which dipped sharply following negative news from one of its biggest customers, the European paper industry. The shares fell 16 to 34p in 2.3m trade.

International stocks had a strong day with both BAT Industries and Hanson surging to the higher reaches of the Footsie performance charts.

Strong third-quarter results, plus hopes for corporate activity sometime next year, got behind BAT. Its quarterly profits came in comfortably above analysts' estimates, and the group was said to have made it clear at the results briefing that a financial services take-

over was on the cards sometime in 1996. The shares rose 14 to 547p.

The return at Hanson - 3½ higher at 196½p - was said to be a combination of dividend hopes plus an increasingly favourable perception of the group's recent £2.5bn purchase of Eastern Group.

Business support services group BBT was again heavily dealt as a result of dividend-related business. The shares lost 2 to 129p in trade of 17m. Turnover in electronics giant GEC surged to 22m, with three deals at between 31p and 31½p accounting for 15m of the total.

The stock put on 3 at 31p. Building materials leader Wolsley rose strongly for the second day running, underpinned by switch advice plus upbeat forecasts for the US construction industry. The shares rose 6½ to a new 1995 high of 416p, a two-day advance of almost 5 per cent.

However, analysts remained sceptical about the talk and one said: "Unilever can afford to buy Cadbury but I think it has other things on its plate at the moment so I cannot see it making such a move." Unilever eased 5 to 1197p.

Guinness remained under a cloud following profits down-

gradings earlier this week. The shares gave up another 3½ to 485½p in trade of 6.3m.

Dealers reported more switching from the spirits and into other stocks in the drinks sector. Among those to benefit from such a switch was Bass, 11 better at 679p, and Scottish & Newcastle, up 8 at 590p.

A profits warning from chocolate products manufacturer and retailer Thorntons left the shares trailing 7 to 13p.

Pumps leader Weir Group retreated 7 to 229p on news of the threat to the privatisation of the Devonport dockyards. It was the group's second helping of bad news in two days, following Tuesday's profits downgrade by BSW.

The broker sliced back its profits estimates for seven cyclical engineering shares on the back of price weakness and de-stocking across Europe. It moved from hold to sell on three: Glyndon International, APV and Weir.

GKN closed 4 better at 80p ahead of yesterday's dinner for institutional investors hosted by Henderson Crosthwaite.

In the rest of the water sector, bid speculation continued to drive Northumbrian ahead. The shares gained another 19 to 105p, with the dealers continuing to suggest that French group Lyonnaisse des Eaux would announce a bid for Northumbrian today. The UK government cleared Lyonnaisse's proposed takeover of Northumbrian on Tuesday.

The UK utility reports figures today and the market expects the group to announce a share dividend increase of around 20 per cent.

However, NatWest Securities urged investors to reduce holdings in the stock, saying: "The share price is fully up with events."

Elsewhere, Thames, a recent underperformer, was in demand and the shares jumped 19 to 55p, making it the best performing Footsie constituent

of the day.

Among electricity stocks, takeover talk was behind a sharp rise in London, up 24 at 94p. Northern moved ahead 23 to 58p and East Midlands 25 to 94p.

Scottish Power rose 5½ to 56p after reporting first-half figures in line with market expectations.

Telecoms giant BT added a penny at 84p in 8m trade ahead of today's interim results statement. Among cable groups, General Cable put 4 at 13p following a buy recommendation from NatWest Securities.

Computer software group Supercomputers rose 19 to 41p, extending its rally by more than 10 per cent in two days.

MARKET REPORTERS: Joel Kibben, Jeffrey Brown.

LONDON RECENT ISSUES: EQUITIES

Issue	Price	Div.	Yield	P/E
BP	22.2	0.2	0.9	12.5
BT	84.0	0.2	0.2	12.5
BT	2.7	0.1	0.4	12.5
BT	2.7	0.1	0.4	12.5
BT	2.7	0.1	0.4	12.5
BT	2.7	0.1	0.4	12.5
BT	2.7	0.1	0.4	12.5
BT	2.7	0.1	0.4	12.5
BT	2.7	0.1	0.4	12.5
BT	2.7	0.1	0.4	12.5

FT GOLD MINES INDEX

	Open	Set price	Change	High	Low	Est. vol	Open int.
Dec	195.00	195.50	+0.50	196.00	194.50	21132	18231
Jan	194.00	194.50	+0.50	195.00	193.50	0	0
Mar	193.00	193.50	+0.50	194.00	192.50	0	0

Gold Mines Index (24) 195.00 +0.50 195.50 196.00 194.50 21132 18231

At Regional Indicators

Africa (19) 205.00 +0.2 205.20 205.50 204.50 204.00 22274

Asia (19) 210.00 +0.1 210.10 210.20 209.50 209.00 17820

North America (12) 161.21 +0.1 161.31 161.40 160.50 160.00 13418

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11/21/95, 11/21/95. Latest prices were unavailable for this index.

The UK Series

■ FT-SE Actuaries Share Indices

	Nov 6	Nov 7	Nov 8	Nov 9	Nov 10	Nov 11	Nov 12	Nov 13	Nov 14	Nov 15	Nov 16	Nov 17	Nov 18	Nov 19	Nov 20	Nov 21	Nov 22	Nov 23	Nov 24	Nov 25	Nov 26	Nov 27	Nov 28	Nov 29	Nov 30
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■ FT-SE Actuaries All-Share

	Nov 6	Nov 7	Nov 8	Nov 9	Nov 10	Nov 11	Nov 12	Nov 13	Nov 14	Nov 15	Nov 16	Nov 17	Nov 18	Nov 19	Nov 20	Nov 21	Nov 22	Nov 23	Nov 24	Nov 25	Nov 26	Nov 27	Nov 28	Nov 29	Nov 30
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■ FT-SE Actuaries 350 Industry baskets

	Nov 6	Nov 7	Nov 8	Nov 9	Nov 10	Nov 11	Nov 12	Nov 13	Nov 14	Nov 15	Nov 16	Nov 17	Nov 18	Nov 19	Nov 20	Nov 21	Nov 22	Nov 23	Nov 24	Nov 25	Nov 26	Nov 27	Nov 28	Nov 29	Nov 30
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■ Hourly movements

	Open	8.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/Low	Day's High	Day's Low
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■ FT-SE Actuaries 350 Industry baskets

	Open	8.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/Low	Day's High	Day's Low
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Time of FT-SE 100 Day's High 4:23pm Day's Low 8:55am FT-SE 100 1995 High 3538.0 (1995) Low 2954.2 (2001)

■ FT-SE Actuaries 350 Industry baskets

	Open	8.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/Low	Day's High	Day's Low
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Additional information on the FT-SE Actuaries Share Indices is published in Securities Issues. Lists of constituents are available from The Financial Times. For more information on the FT-SE Actuaries Share Indices, visit our website at www.ft.com.

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INDEX FUTURES

	Change	High	Low	Est. vol. Open Int.
■ DAX				
Open Settle Price	Change	High	Low	Est. vol. Open Int.
584.00	585.90	+2.85	582.20	588.90 470 13,352
■ TOKYO - MOST ACTIVE STOCKS: Wednesday, November 8, 1995				

Reports are based on the most trading day available.

[illegible]

* See Nov 4, Japan's Nikkei 225, 19,120.10, +1.2% (Nov 3: 18,870.00, +0.7%)
and Mining - 500, Austria Traded, 985.20, +0.1% (Nov 3: 985.00, +0.1%)
Minerals and DAX - at 1,000, JSE Gold - 265.7, JSE 20 Industrials - 204.2, NYSE AS Composite - 9,774.00, +0.1%
Nov 4, 1994, 11:00 AM, EST. * BSE/DAX after-hours index Nov 3 - 2184.05 +0.7%.

4 pm close November 8

Financial Times. M

NYSE COMPOSITE PRICES

[illegible]

AMEX COMPOSITE PRICES

[illegible]**NASDAQ NATIONAL MARKET**[illegible]

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AMERICA

Tech stocks recoup losses at midsession

Wall Street

US share prices were higher in early trading yesterday as technology issues rebounded from Tuesday's losses, writes Lisa Branstetter in New York.

At 1pm the Nasdaq composite, weighted towards the technology sector, stood 7.73 firmer at 1,051.83, reversing part of Tuesday's 18.24 retreat. The Pacific Stock Exchange technology index advanced 0.9 per cent.

Microsoft, the largest company on the Nasdaq, moved up \$1 to \$94, recovering part of Tuesday's 4% decline.

Semiconductor shares - which were among the hardest hit groups on Tuesday - were mixed.

Cirrus Logic gained \$1.14 at \$29.50, bouncing up modestly from the loss of \$1.24 it registered on Tuesday, while Intel, the Nasdaq's second largest company, slipped another \$0.10 to \$66 on the heels of Tuesday's \$1.14 loss.

Interest in the internet helped spur some of the technology gains. Suo Microsystems

jumped \$3 to \$39.75 on news that two software companies, Spyliss and Borland International, had licensed Sun's Java programming language, which can be used to create graphics for worldwide web sites on the internet.

Strength on the Nasdaq spilled over on to other indices, helping the Dow Jones Industrial Average rise 81.79 to 4,828.82. The Standard & Poor's 500 added 3.47 at 569.79 and the American Stock Exchange composite was 1.73 higher at 530.38. Volume on the New York Stock Exchange came to 200m shares.

Shares of Columbia/HCA Healthcare dipped \$1.44 to \$49.75 after the healthcare service provider missed analysts' estimates of third-quarter earnings by 1 cent a share. Columbia/HCA reported profits, before one-off charges to restructure debt, of 61 cents a share, compared with estimates that it would make 82 cents a share.

American depositary receipts of Mexican companies were lower in New York as the peso continued to fall in currency trading. Grupo Televisa slipped

\$4 to \$16. Telmex was off \$1 at \$25.45 after Jussell, a mobile phone company, filed an anti-monopoly complaint against the company.

Canada

Profit-taking in Toronto, following the market's recent strong rally, led to a gentle slide by midsession.

The TSE 300 composite index was down 8.54 at 4,576.00 in volume of 14.3m shares, while weak stocks narrowly led the rise by 230 to 238.

High technology issue Newbridge Networks fell 3% to \$44.94, while BioChem Pharma dipped 3.2% to \$34.90 following an early profits forecast downgraded by Smith Barney.

SOUTH AFRICA

Gold shares were lifted by a firmer bullion price which pulled the overall index higher, while industrial shares fell following Tuesday's record high. The overall index added 41.3 at 5,973.3. Industrials led 25.8 at 7,652.7 and golds gained 45.5 or 3.6 per cent at 1,314.0.

EUROPE

KNP BT slides by 7% in Amsterdam

KNP BT was sold heavily in AMSTERDAM after releasing lower than expected third-quarter profits. The shares of the paper and packaging group slid 7.1% to 7 per cent at 142.10. Philips was also a loser on US selling, closing down 71.70 or 2.9 per cent at 156.70, as the AEX index dropped 0.86 to 451.31.

Unilever, due to announce its results today, slipped 70 cents to 120.30.

PARIS gained slightly on hopes that the Bank of France might ease interest rates today. However, some brokers warned that the bank was unlikely to act until it had sight of government measures to reduce social security spending, due out next week. The CAC-40 index moved up 6.96 to 1,866.35.

In an assessment of the cabinet changes, Nikko Europe said yesterday that the moves marked "the start of a campaign to build support for the draconian social security measures which will be announced next week." However, Nikko felt that any market confidence boost would be temporary. "The reshuffle does not resolve the essential dichotomy between tight fiscal policy, the weak economy and the need to

FT-SE Actuaries Share Indices

Nov 5	THE EUROPEAN SHARE												
Monthly changes	Open	16.30	11.00	12.40	13.00	14.00	15.00	Close					
FT-SE benchmark 100	1417.75	1416.81	1418.80	1417.88	1416.81	1416.41	1415.32	1416.75	1417.75	1418.80	1419.85	1420.90	1421.95
FT-SE benchmark 250	1427.80	1427.24	1427.10	1425.43		1425.82		1426.33	1427.49	1428.13			1428.78
	Nov 7	Nov 6	Nov 3	Nov 2	Nov 1								
FT-SE benchmark 100	1414.00	1414.22	1413.25	1413.85	1414.01	1414.01	1413.30						
FT-SE benchmark 250	1414.00	1414.22	1413.25	1413.85	1414.01	1414.01	1413.30						
Nov 1000 monthly: 1000	1414.00	1414.22	1413.25	1413.85	1414.01	1414.01	1413.30						
Nov 1000 monthly: 1000	1414.00	1414.22	1413.25	1413.85	1414.01	1414.01	1413.30						

support the *franc fort policy*.

Carrefour was one of the few stocks to lose ground, falling FRF98 to FRF792, as investors worried about the effect on earnings of falling sales in its Latin American operations.

FRANKFURT benefited from pre-bourse gains in bank stocks and DAX futures. The market was underpinned by firm bonds and a stable dollar, but trading volumes were low.

The DAX index hovered around 2,172 before finishing 9.78 up at an this-Indexed 2,140.50.

Siemens, the electronics and engineering group, slipped DM4 but recovered on the bbs to show a fall of only 80 ppts at DM744 after announcing figures. The group said business volume fell DM7m in 1994/95 due to currency shifts, rising costs and falling prices.

Volkswagen moved forward

DM3.70 to DM464.10 as it announced that group car deliveries in western Europe were ahead 12.3 per cent from the previous year.

Bayer AG (Vereinbank) improved 63 ppts to DM40.20 in spite of a risk recommendation from Williams de Bro in London. It confirmed that it was holding talks with New York-based investment bank Oppenheimer aimed at a possible "co-operation".

Deutsche Bank shunned a forecast downgrade. The share rose DM1.70 to DM65.50 although DB Research cut its 1995 earnings per share estimate for the group to DM2.85 from DM4.22 because of expectations of an over-proportional rise in the bank's risk provisions in the fourth quarter.

STOCKHOLM was disappointed by a number of corporate stories, with Volvo being

Volvo

8 share price relative to the Allshare index

Source: FT Data

one of the main features. The vehicle manufacturer blamed its car division for the fall in profits, while currency exchange movements were also a factor. The group's B shares slipped to SKr129 before steadying to finish SKr150 or 3.7 per cent down at SKr140.50.

The Affärsvärlden general index lost 11.5 to 1,701.5.

Another casualty was Pharmacia, the Swedish division of the merged Pharmacia & Upjohn drugs group, which was reporting as a single unit for the last time.

The figures came in below expectations and the stock

tumbled SKr9.50 to SKr218.50.

MILAN continued Tuesday's technical rally, with the real time Mibtel index moving ahead 75 to 9,345 and the Comit index 9 to 923.

The market was pushed up towards the close by a sharp rise in Fondiaria, the insurance company. Fondiaria's shares jumped 6 per cent or 1475 on heavy turnover to 16,930. Dealers said that with the company's rights issue due to end today, there was speculation that Farin, which controls it, might be looking to sell Fondiaria as part of its restructuring. Generali slipped on fears it might have to launch a rights issue if it decided to acquire German insurer Vereinigte Versicherung. In spite of a denial the shares shed 1.78 to 136.583.

OSLO heard further rumours associated with Kvaerner ahead of its third-quarter results next week and the B stock lost Nkr17 to Nkr207. Brokers said that there were reports of job cuts in its energy division. The Total index fell 5.50 to 702.88 in turnover of Nkr471.3m.

Written and edited by Peter John and John Pitt

Mexico contends with rate rise

Mexico City declined sharply in early trading following a rise in domestic interest rates and renewed speculation about the peso. The IPC index was down 42.31 or 1.9 per cent at 2,213.7 by midsession.

Brokers said the increase in rates heightened worries that Mexico would need to offer even higher rates to attract investors worried about a further slide in the peso, higher inflation and a delayed economic recovery.

SAO PAULO was off 1 per cent in light midday trade as the Mexican factor hit sentiment.

The Bovespa index had fallen 416 to 40,697 in turnover of R\$97.7m (\$91.2m).

Among the early movers, Telebras preferred shares were off 1.3 per cent at R\$370 and Electrobras was down 0.7 per cent at R\$276.

BUENOS AIRES turned back from a positive opening and by late morning the Merval index had lost a net 1.83 or 0.5 per cent at 397.78.

Early gains had been driven by YPF, which jumped 2.6 per cent on the back of a strong advance in its ADRs on Wall Street, and Telecom, which appreciated 0.6 per cent.

The Nikkei 225 index was off 157.39 at 17,569.29 after fluctuating between 17,551.24 and 17,583.60. The Tokyo index of all first section stocks slipped 7.26 to 1,427.92 and the Nikkei 300 relinquished 1.43 at 367.20.

Volume amounted to 389m shares, against Tuesday's 355m. Some 22,000 shares were sold by arbitrageurs in the morning session. While overseas and corporate investors retreated to the sidelines, individuals focused on speculative favourites. Declining issues outpaced advances by 641 to 372, with 171 stocks remaining unchanged.

In London the ISE/Nikkei 50 index eased 0.09 to 1,201.83.

Fears of a deteriorating supply and demand situation in the semiconductor market unnerved investors. Rising speculation that October's book to bill ratio, a measure of supply and demand in the US semiconductor market, would decline, depressed high-technology shares. However, traders noted that most of the selling came from brokerage dealers, while overseas investors, who were active buyers of the sector earlier in the year, were absent from trading.

Fujitsu fell Y30 to Y1,090 and NEC declined Y20 to Y1,370. Sony lost Y160 to Y4,660 as investors were concerned about the fire at the company's Koriyama plant, where lithium ion batteries are produced.

Some investors switched from high-technology issues to large-capital steels and shipbuilders. Mitsui Engineering and Shipbuilding was the day's most active stock, its trading volume rising to 26m shares. It surrendered Y5 to Y365 on profit-taking on short term trading by individuals and dealers.

Daiwa Bank dropped Y80 to Y670 on anxieties over the impact of penalties on its earnings. Investors were also dis-

ASIA PACIFIC

Nikkei easier as Hong Kong falls 1.7%

Tokyo

A decline on Wall Street led by high-technology stocks depressed investor confidence, and the Nikkei average fell back, writes Emilio Terazono in Tokyo.

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Daiwa Bank dropped Y80 to Y670 on anxieties over the impact of penalties on its earnings. Investors were also dis-

couraged by comments earlier this week which failed to confirm earlier reports of the bank's possible merger with Sumitomo Bank. The latter, which had declined on reports of the merger, recovered Y20 to Y1,790. Other banks were mixed, with Industrial Bank of Japan down Y20 to Y2,800 and Mitsubishi Bank up Y20 to Y2,600.

Speculative stocks were actively traded, with Takara Shuzo off Y30 to Y1,020 but Teito Y32 higher at Y890. Green Cross jumped Y100 to Y777 on reports of its gene therapy, while Mitsui Mining and Smelting up on Y9 at Y378 on the gold price rise in New York.

In Osaka, the OSE average finished 36.78 down at 19,529.77 in volume of 43.6m shares.

Roundup

HONG KONG was sharply lower on disappointing corporate news. The Hang Seng index receded 169.96 or 1.76 per cent to 9,562.45 in HK\$3.8bn turnover.

The worst casualties were New World Development, China Light and Hongkong Telecom, with the shares down 55 cents, HK\$1.10 and 25 cents respectively to HK\$28.25, HK\$1.10 and HK\$21.95.

Sun Hung Kai Properties, which went ex-dividend and fell 45 cents to HK\$59.75, also dragged the market down.

The index monitoring the 17 listed mainland China companies slid 2.3 per cent to 772.90.

SHANGHAI's A index fell heavily after the authorities

announced that three companies would list a total of 51m shares next week. The index shed 2.5 per cent to 741.731 in volume of 348.4m shares valued at Yn1.7bn.

The B index ended down for the sixth consecutive session on continued heavy selling in Shanghai Diesel Engine. The index lost 2.2 per cent to 81.544. SEOUT continued to be pressured by the investigation into leading business groups in connection with slush funds used by ex-president Roh Tae-woo.

The composite index ended 6.88 lower at 980.84 after hitting a day's high of 990.67.

Samsung Electronics shed Won1,500 to Won1,69,500, LG Electronics lost Won200 to Won31,700 and Hyundai Motor fell Won200 to Won41,500.

Insurance issues continued

to be in demand, the sector's index adding 54.71 at 4,895.12.

MANILA ended below the day's best after the index touched its resistance of 2,500 in early trade. Investors welcomed the 41 per cent rise in net profits for the first nine months from Philippine Long Distance Telephone, up 30 pesos at 1,500. The composite index rose 15.07 to 2,484.94.

SINGAPORE's Straits Times Industrial index made 11.88 at 2,101.48 in turnover of S\$266m, with small-capital stocks continuing to benefit from speculative retail buying.

TAIPEI weakened in light turnover and the weighted index slipped 51.49 or 1 per cent to 4,773.70. BANGKOK saw heavy selling of blue chips and the SET index declined 1.5 per cent to 1,222.75.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms		Local currency terms	
		Nov 3 1995	% Change over week	Nov 3 1995	% Change over week
Latin America	(252)	443.28	-0.6	-23.8	-0.9
Argentina	(30)	644.70	+0.9	-12.2	-12.3
Brazil	(72)	306.27	-0.0	-19.8	-8.9
Chile	(36)	720.88	-3.5	-21.1	-3.2
Colombia	(19)	580.02	-0.1	-27.9	-1.3
Mexico	(67)	396.10	-1.8	-34.8	-1.9
Peru	(19)	182.98	+2.7	-2.6	+3.3
Venezuela	(12)	529.59	-0.1	+7.0	-0.1
Asia	(677)	224.70	-3.8	-9.9	-2.5
China	(20)	61.52	-2.5	-18.9	-2.2
South Korea	(149)	142.06	-1.5	-9.9	-1.2
Philippines	(25)	246.90	-0.9	-17.2	-0.5
Taiwan, China	(93)	106.08	-2.8	-35.5	-1.8
India	(101)	90.13	+2.6	-27.0	+0.2
Indonesia	(42)	107.75	-2.1	-8.0	+1.2
Malaysia	(114)	250.35	-5.3	-8.8	-6.9
Pakistan	(36)	250.02	-7.8	-31.8	-1.0
Sri Lanka	(19)	108.07	-0.5	-37.2	-0.4
Thailand	(68)	364.89	-3.0	-4.9	-2.5
Euro/Mid East	(208)	138.54	+0.2	+18.9	-2.9
Greece	(40)	243.52	-3.9	+7.9	-0.8
Hungary	(5)	117.61	-1.6	-22.5	-0.6
Jordan	(8)	187.08	+1.9	+24.7	+1.9
Poland	(16)	462.34	-4.7	-1.5	+5.4
Portugal	(27)	119.10	+0.3	-1.6	-0.8
South Africa	(64)	243.14	+1.1	+8.2	+1.4
Turkey	(44)	137.34	-5.5	+12.8	-3.7
Zimbabwe	(5)	265.07	+0.3	+8.3	+0.6
Composite	(1138)	265.07	-1.5	-13.8	+19.7

Indices are calculated at end-of-week, and weekly changes are percentage movement from the previous Friday. Data from Dec 1989-100 except those noted which are 1990-100. (Note: 31 Dec 1995; 31 Dec 1994; 31 Dec 1993; 31 Dec 1992; 31 Dec 1991; 31 Dec 1990; 31 Dec 1989; 31 Dec 1988; 31 Dec 1987; 31 Dec 1986; 31 Dec 1985; 31 Dec 1984; 31 Dec 1983; 31 Dec 1982; 31 Dec 1981; 31 Dec 1980; 31 Dec 1979; 31 Dec 1978; 31 Dec 1977; 31 Dec 1976; 31 Dec 1975; 31 Dec 1974; 31 Dec 1973; 31 Dec 1972; 31 Dec 1971; 31 Dec 1970; 31 Dec 1969; 31 Dec 1968; 31 Dec 1967; 31 Dec 1966; 31 Dec 1965; 31 Dec 1964; 31 Dec 1963; 31 Dec 1962; 31 Dec 1961; 31 Dec 1960; 31 Dec 1959; 31 Dec 1958; 31 Dec 1957; 31 Dec 1956; 31 Dec 1955; 31 Dec 1954; 31 Dec 1953; 31 Dec 1952; 31 Dec 1951; 31 Dec 1950; 31 Dec 1949; 31 Dec 1948; 31 Dec 1947; 31 Dec 1946; 31 Dec 1945; 31 Dec 1944; 31 Dec 1943; 31 Dec 1942; 31 Dec 1941; 31 Dec 1940; 31 Dec 1939; 31 Dec 1938; 31 Dec 1937; 31 Dec 1936; 31 Dec 1935; 31 Dec 1934; 31 Dec 1933; 31 Dec 1932; 31 Dec 1931; 31 Dec 1930; 31 Dec 1929; 31 Dec 1928; 31 Dec 1927; 31 Dec 1926; 31 Dec 1925; 31 Dec 1924; 31 Dec 1923; 31 Dec 1922; 31 Dec 1921; 31 Dec 1920; 31 Dec 1919; 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